

## Shultz Ends Talks In Moscow Without Date for a Summit

By Gary Lee  
and Don Oberdorfer  
Washington Post Service

MOSCOW — Two days of Soviet-American meetings ended here Friday night without the expected announcement of the date for a summit meeting this year in Washington because of last-minute objections by Mikhail S. Gorbachev.

Secretary of State George P. Shultz, who announced the surprising news at the end of the talks, said Mr. Gorbachev "is apparently not yet satisfied, particularly in the area of space and defense," that arms control progress justifies his visit to Washington.

The previous U.S. belief, based on many earlier signals from the Soviet Union, was that agreement on a treaty banning medium- and short-range missiles would be sufficient to justify a summit meeting this year.

Apparently hardening the Kremlin conditions for a Washington summit meeting, the Soviet foreign minister, Eduard A. Shevardnadze, said Friday night that holding such a meeting would require key provisions for reducing strategic arsenals and strengthening the Anti-Ballistic Missile Treaty of 1972.

In his meeting with Mr. Shultz on Friday, Mr. Gorbachev left a small possibility that he would agree to a U.S.-Soviet agreement made a month ago to hold a summit meeting this fall.

"I am ready to visit the United States," the Soviet press agency Tass quoted him as saying. "But I am, I am put on my guard by possible results."

Mr. Shevardnadze, in a news conference after Mr. Shultz's visit, said he would be no problem for a summit and the signing of a treaty on medium- and short-range missiles.

Mr. Shevardnadze said that the

gap between the two sides over an intermediate nuclear forces treaty could be resolved "in three weeks" but that the Soviet Union viewed a summit meeting as a forum more for narrowing differences over space and strategic agreements than for signing an accord on medium- and short-range missiles.

He said such an accord could be signed when completed, but added that "the conditions, where and when, that remains to be determined."

There were differences of opinion among the members of Mr. Shultz's negotiating team about why the setback came about and how serious it will turn out to be.

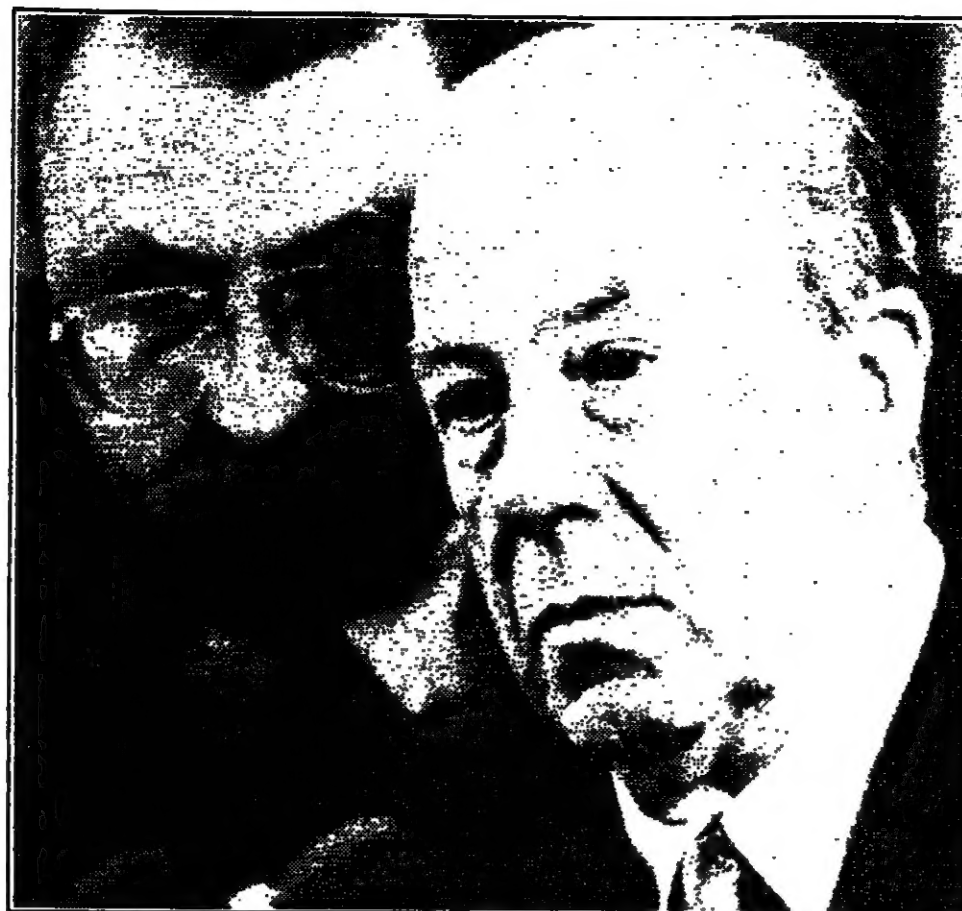
One senior official said the Russians seemed to have hardened their positions in several areas and speculated that Mr. Gorbachev might be facing unexpected domestic pressures. Objections to a summit meeting centering largely on an intermediate nuclear forces accord may have arisen at a Central Committee meeting held suddenly on the eve of Mr. Shultz's visit, the official said.

The prevailing view among Western diplomats based in Moscow, however, was that withholding the summit dates and leaving an intermediate nuclear forces deal in limbo was part of a Gorbachev strategy to put pressure on the Reagan administration into a compromise deal limiting research on space defense.

The Kremlin leader used similar tactics at a summit meeting with Mr. Reagan in Reykjavik, Iceland, a year ago. The meeting eventually broke down without agreement because of a dispute between the two over Mr. Reagan's plans to build a defense shield against nuclear weapons.

In a four-and-a-half-hour meeting at the Kremlin on Friday morning, Mr. Gorbachev told Mr. Shultz

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George P. Shultz with an interpreter during a news conference in Moscow on Friday.

## Reagan Criticizes Congress

Compiled by Our Staff From Dispatches

WASHINGTON — President Ronald Reagan blamed Congress Friday for part of the trading turmoil on Wall Street, shortly after Democratic congressional leaders welcomed his call for talks on reducing the budget deficit.

A prominent Democrat had predicted that an accord would be reached.

"I predict we'll get that agreement," the House Democratic leader, Thomas S. Foley of Washington, said in a broadcast interview.

Mr. Foley also predicted that the agreement would include a tax increase despite Mr. Reagan's refusal at a news conference on Thursday

night to say whether he would drop his opposition to higher taxes.

"Well, I think there will be increases in taxes," Mr. Foley said. "They will not be taxes that harm the economy."

Addressing a jobs conference on Friday, Mr. Reagan said "disturbing signs on Capitol Hill," including a move toward enactment of protectionist trade legislation and out-of-control "deficit spending," had contributed to the volatile market.

Both houses of Congress are controlled by Democrats.

The president, a Republican, said the market gyrations emphasize "the need to send a clear signal

that spending must be restrained."

"I think the market is reacting more to the actions and inactions of the government than the deficit itself," the president said, adding that "those who have to make the decision on whether or not to invest in the future of our economy see some very disturbing signs on Capitol Hill. For one, a dangerously protectionist trade bill working its way through conference. If passed, that bill would threaten a spiraling trade war and could very well bring our economic expansion to an end."

"At the same time," he said, "we

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## World Markets End Worst Week Ever on Note of Exhaustion

After a week of stomach-wrenching downs and ups, the pace of trading on Wall Street on Friday seemed frankly fatigued. Volume levels, which had been three times their usual level, were manageable again. Volatility was less pronounced, too. When the Dow average ended the day up barely a third of a point, the relief was palpable.

But other markets were far less settled. The dollar fell sharply, and selling continued on other exchanges. Traders continued to look over their shoulders at New York, and to wonder what the next week would hold.

### Dollar Falls Sharply Amid Fears on Pact

NEW YORK — The dollar retreated sharply Friday in New York and Europe amid rumors that seven leading industrialized nations would meet this weekend to change their so-called Louvre agreement to support exchange rates.

The U.S. Treasury denied the rumors, but the dollar closed in New York at 1.7780 Deutsche marks, down nearly 4 pfennigs from Thursday. The hectic trading was a departure from the steady dealings seen in the currency markets since Wall Street's plunge on Monday.

Many dealers dismissed the notion that the Group of Seven nations would meet to lower trading ranges for the dollar. They argued that such a move could only aggravate the turmoil in financial markets.

Also weakening the dollar was disappointment over a news conference Thursday night by President Ronald Reagan. Analysts complained that he failed to present concrete proposals to trim the U.S. deficit.

Dealers said that both the dollar and the pound were reacting more strongly to events on world stock markets than to "economic fundamentals." They noted that the dollar barely budged, for example, when encouraging reports were released Friday on the U.S. gross national product and the Consumer Price Index.

Many traders saw room for limited declines in the dollar's value next week. (Page 11)

### Dow Edges Higher; Many Stocks Drop

NEW YORK — The Dow Jones industrial average of major U.S. stocks ended its most tumultuous week since the Great Depression with a modest recovery from a case of battle fatigue, edging up less than a point on Friday in a shortened trading session.

Overall, however, most American stocks retreated by a decisive margin.

Dealers said that the main factor affecting the day's trading was uncertainty. They said market participants were trying to assess whether and how the White House would act to correct the huge U.S. budget and trade deficits that have undermined investor confidence in economic growth.

"The siege mentality is beginning to lift," said Larry Wachel, an analyst with Prudential-Bache Securities. "The market started to become more rational" late on Thursday, he noted, "when both volume and volatility abated."

The Dow inched up 0.33 point on Friday to 1,950.76. The index has risen 211.69 points since Monday's unprecedented 508-point rebound, but remains 296 points, or 13 percent, below last week's finish.

This week's cumulative fall exceeded the record set one week earlier, when the key index dropped 235 points for a 9.5 percent decline.

Losing issues led gains by 5 to 3 when the New York Stock Exchange closed at 2 P.M., two hours earlier than usual. Leading U.S. exchanges announced on Thursday that they would close two hours early Friday, Monday and Tuesday to let the financial community catch up on massive backlogs of paperwork.

Volume dropped to 246.2 million shares from 392.2 million during Thursday's full-day session.

David S. Ruder, chairman of the Securities and Exchange Commission, hailed the relative calm on Friday as an encouraging sign that "we have seen the worst."

He also disclosed that the NYSE came close to shutting down trading on Tuesday, after Monday's plunge that trimmed about \$500 billion from the value of U.S. stocks.

He said that John J. Phelan Jr., chairman of the exchange, considered temporarily stopping trading just before the Dow started its 102-point rebound on Tuesday. Mr. Ruder said the move was not considered on Monday despite the collapse because market forces were so far out of control that a temporary halt would not have restored order.

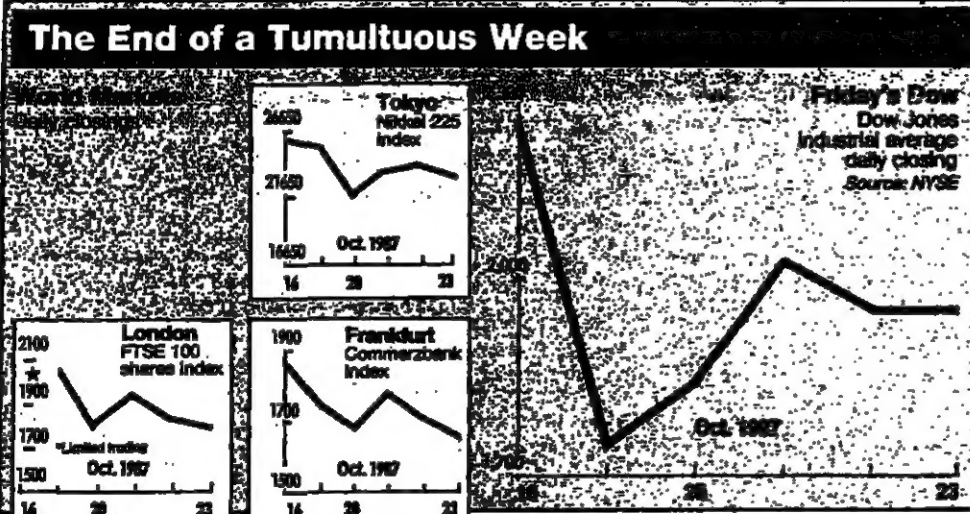
At the end of an exhausting week, the focus on See MARKETS, Page 10

## U.S., U.K. Reported Gains In Key Economic Figures

The U.S. economy grew at a robust annual rate of 3.8 percent in the July-September quarter, up from 2.5 percent in the second quarter, the Commerce Department said. The preliminary figure was much higher than average market expectations of a 2.7 percent increase, but does not include the stock market collapse this week that many economists say will reduce future economic growth. (Page 9)

In Britain, major banks cut their base lending rate by half a percentage point to 9.5 percent, after the government announced better-than-expected trade figures for September. Analysts said the trade report bolstered the pound and government bond prices and stock prices steadied after falling to their lowest level since January. (Page 9)

Prices of U.S. government securities, which had surged over the past week as investors sought a haven from falling stock prices worldwide, were unchanged or slightly lower in highly volatile trading as U.S. stock prices began to rally. The credit market lost early gains of more than 2 points, or \$20 for each \$1,000 face amount, that had come on expectations of further declines in U.S. stock prices. (Page 11)



## International Stock Sell-Off Continues

International Herald Tribune

PARIS — Stock prices fell on world exchanges again Friday as investors continued to look over their shoulders at trading in New York.

In Tokyo, traders who were panicked by a 77-point drop in the Dow Jones industrial average on Thursday swamped the stock exchange with sell orders. The market's key indicator, the 225-share Nikkei stock average, lost 1,203.23 points — its second-largest one-day decline — to close at 23,201.22.

Share prices on the London Stock Exchange fell sharply but later steadied after major British banks cut their interest rates.

The Financial Times-Stock Exchange 100-share index, which was down 86.9 points at one point, closed with a 38-point loss, at 1,795.20. The 2.07-percent decline

followed a drop of 110.6 points, or 5.7 percent, on Thursday.

Prices also fell in France, Italy, Australia, South Africa, Singapore and Taiwan.

"Investors have become very nervous about the U.S. economy," Kazuhiko Nakamura of Wako Securities in Tokyo told the Associated Press.

The Tokyo market showed signs of recovering during the morning session, but traders said it dropped sharply after President Ronald Reagan offered no concrete steps to push interest rates down during a news conference Thursday night.

Worries about the continuing impact of the U.S. budget deficit on interest rates and the economy have been cited as key factors in the stock market's troubles.

"Everyone is nervous," Mr. Na-

kamura said. "It will take a long time for the market to stabilize."

Traders said there was fear that Mr. Reagan and Congress would fail to act decisively to correct the federal budget deficit, trade deficit and long-term U.S. debt that many believe are main causes of the market's anxiety.

"There is a very shaky situation in all the stock exchanges in the world," said Hisamichi Sawa, research director at Prudential-Bache Securities Far East in Tokyo.

In Paris, stocks ended the week narrowly lower after a series of abrupt swings on the Bourse. The general indicator closed with a 0.75-percent retreat, and declining issues outnumbered advances, 114 to 81. Trading was heavy and forced traders to work about 60 minutes beyond the closing bell.

(Articles on Page 11)



Wall Street traders check overhead monitors in a volatile market on Friday.

## Moscow and Budapest Face Up to Harsher Economic Realities

### In Soviet Union, Fears of Rising Prices for Basic Goods

By Celestine Bohlen  
Washington Post Service

MOSCOW — No sooner had Mikhail S. Gorbachev finished a televised speech about food prices than the telephone rang in a young working woman's Moscow apartment.

"Don't worry," said her mother. "I have plenty of meat in the icebox for all of us."

The reaction was not uncommon: Of all the economic changes under discussion in the Soviet Union, price reform has evoked the quickest response and the greatest anxiety among the public.

People were concerned about price increases before Mr. Gorbachev raised the subject in the Arctic city of Murmansk earlier this month. The Soviet leader said it was a question he heard wherever he went.

But since the speech, apparently intended as reassurance, the level of worry seems to have risen. There is no visible hoarding, but rumors of imminent price increases are rife. The government newspaper Izvestia printed one reader's comment that Mr. Gorbachev's remarks were "an alarming symptom of isolation from real life."

So far, two and a half years into the Gorbachev era, much of the Soviet public has not seen any tangible benefits from perestroika, or restructuring,

as his reforms are called. Now, with higher prices looming on such basic commodities as meat, milk and bread, many people feel threatened and less inclined to be enthusiastic about his program.

"I am afraid that in the event of a price hike on food stuffs, people could turn away from perestroika, as they would from a con game," wrote a journalist in Leningrad's Gazeta this summer. "And then the real opponents of perestroika will raise their heads."

For years, the Soviet Union has prided itself on the stability of its basic prices: rents last rose in 1928, the price of bread, sugar and eggs in 1954 and meat in 1962. These facts always topped any recitation of the advantages of Soviet life.

But low food prices — two rubles a kilogram for meat (\$1.41 a pound), 20 cents for a loaf of white bread, 50 cents for a quart of milk — are more than just symbolic for the average Soviet wage earner who now makes the equivalent of \$312 a month. Considering the high cost of clothes — \$101 for a skirt, \$93 for a blouse, \$312 for a coat — these salaries mean that many families are living from month to month.

According to published figures, more than 40 percent of Soviet families average less than \$156 a

### In Hungary, Unemployment and Income Tax

By Henry Kamm  
New York Times Service

BUDAPEST — The Hungarian leadership deserves the Nobel Prize for chemistry this year, goes a current joke in this capital, which has long sublimated anger and anguish in bitter quips. The leadership has created a compound of Ethiopian wages and Swedish taxes.

In a Communist country where the subject has never before come up, the principal topic of conversation is income tax. Starting Jan. 1, Hungarian workers will have to bear a burden that until now in the Soviet bloc has largely been paid by employers.

A second novelty that 1988 will introduce is substantial unemployment. Mihaly Kupa, head of the Finance Ministry's new secretariat for tax reform, said in an interview that 200,000 Hungarians can expect to be laid off when money-losing state enterprises are disbanded next year.

In addition, he said, a major revamping of the country's outsize administration will send many others — the number cannot yet be estimated — in search of new jobs. Hungary's labor force is 4.9 million.

These innovations come at a time of increasing hardship for the 10 million citizens of Hungary,

which has considered itself the most comfortable country in Eastern Europe since it embarked on its own brand of communism two decades ago.

Mr. Kupa said that political democratization was necessary to make economic initiatives work, but he conceded ruefully that with income tax and unemployment, Hungary was starting off with the negative aspects of democratization.

The current predicament includes a steadily increasing cost of living, double-digit inflation, the highest per-capita foreign indebtedness in Europe and a flow of statements from the government that things will get worse before they can get better.

"There will be a general decline in living standards in 1988," said Mr. Kupa, whose ministry is struggling to put into effect a three-year "stabilization program" of austerity through which the government of Prime Minister Karoly Grosz hopes to set the stage for an economic revival.

The key measures are the introduction of a personal income tax for all wage-earners and a value-added tax on most goods and services. In presenting them to the Oszggyules, the National Assembly, last month, Finance Minister Peter Medgyessy said the goal was not to raise additional

See HUNGARY, Page 2

## U.S. and Britain Set Back Clock This Weekend

Compiled by Our Staff From Dispatches

The United States will move off daylight-saving time and return to standard time this weekend, turning clocks back an hour at 2 A.M. Sunday.

Clocks in Britain also will be set back an hour at 2 A.M. Sunday as the country returns to Greenwich Mean Time.

The change in Britain follows by nearly a month the move back to winter time by other West European countries.

Daylight-saving time in the United States starts on the first Sunday in April and ends on the last Sunday in October. Not every state observes the practice. Hawaii, Arizona, the Eastern time zone portion of Indiana, Puerto Rico, the Virgin Islands and American Samoa are excluded from having to make the change.

### Kiosk

## Senate Rejects Bork by 58-42

WASHINGTON (AP) — The Senate voted 58-42 on Friday to reject the nomination of Judge Robert H. Bork to a seat on the U.S. Supreme Court.

Senate leaders quickly informed the White House, but a spokesman for President Ronald Reagan said a new nominee would not be submitted until the following week, at the earliest.

Judge Bork, 60, an appeals court judge, became the 26th nominee in U.S. history to fail to gain confirmation to the high court.

In the tense debate over his fitness for the court, his status as a formidable legal scholar did not overcome fears that he would not adequately protect the privacy and civil rights of Americans.



Ozzie Smith and Vince Coleman helped bring St. Louis within one victory of winning the World Series. Page 15.

### GENERAL NEWS

Five Soviet generals have been killed in a helicopter crash. Page 5.

Anti-Nariga protests failed to gain significant support in Panama. Page 3.

As Indian troops continue their attack in Sri Lanka, their claims of success are clouded by uncertainty. Page 2.

### ARTS/LEISURE

Auction markets have remained remarkably cool to stock exchange chaos. Souren Melikian reports. Page 6.

Dow close: UP 0.33

The dollar in New York:  
DM £ Yen FF  
1.778 1.685 141.775 5.9545



## In Jaffna, Uncertainty Rules

### Indian Claims of Success Against Tamils Are Contradicted

By Steven R. Weisman  
New York Times Service

COLOMBO, Sri Lanka — Nearly two weeks after Indian troops began their assault on a Tamil rebel stronghold in Sri Lanka, accounts about the operation have become contradictory, uncertain and confused.

Despite statements by India that the operation is achieving military success, there is growing evidence that the operation has failed in areas claimed to have been secured.

Although India continues to assert that civilian casualties have been minimal, Tamil moderates who do not sympathize with the guerrillas say civilian casualties are high.

Questions about the siege of the northern city of Jaffna are being raised almost daily by various Tamil spokesmen, some Sri Lankan officials, witnesses and some journalists, despite regular Indian briefings.

Accounts of the fighting cannot be verified because the Sri Lankan government and Indian Army authorities have barred reporters from the battle locations.

Thus it has been impossible to ascertain independently the number of casualties, of refugees or even the number of Tamils fighting. No one is sure where the guerrilla leaders are. There have also been several unconfirmed reports that a negotiated settlement might be imminent, but no such agreement has materialized.

"As of now, the Indian Army assault is causing more problems than it is solving," said Neelan Tiruchelvam, a moderate Tamil leader. "India is risking the alienation

of the moderate Tamils who enthusiastically supported the Indo-Sri Lanka accord." He was referring to the July 29 agreement that called for the introduction of Indian troops to disarm the Tamil rebels.

Tamil claims have been contradictory. Two days ago, a spokesman in London for the Liberation Tigers of Tamil Eelam, the guerrilla separatist group, circulated a letter from 14 Jaffna civil servants saying that 700 civilians had died. But Thursday, Tamil representatives said the number was actually 200.

Recently, Tamil spokesmen have said that Jaffna was nearly deserted. But other Tamil reports say thousands of refugees have been streaming into the city.

India asserted Thursday that 129 of its troops had been killed and 383 wounded since the battle for Jaffna began. Tamil representatives say the figure is much higher. India has declined to estimate the number of civilian casualties.

Laxmi Puri, the Indian spokeswoman, said Indian troops had gained control over "large sections" of Jaffna, and she pointed to an area in the south and west of roughly 40 percent of the city.

But Tamil leaders in Colombo

25 Tamils Die as Boat Sinks

The Associated Press

COLOMBO, Sri Lanka — A boat carrying an estimated 25 Tamil pilgrims capsized during a storm, killing at least 19, the police said Friday. The accident occurred about 125 miles (200 kilometers) east of Colombo. The police said the Tamils had been celebrating the Hindu holiday of Deepavali, the festival of lights.

said they received reports from Jaffna that there was a lull in the battle Thursday and that some areas that the Indians claimed to control were not secured.

Some Indian officials have described the operation as a "noose" tightening around Jaffna, with 2,000 Tamil rebels possibly being trapped in the center.

More recently, reports from Jaffna suggested that guerrillas had been moving in and out of the central area even as the Indian Army has closed in. Three journalists, including a British reporter for the BBC, were escorted to the center of the city on Monday by Tamil guerrillas.

The reporters estimated that a few hundred guerrillas were defending the city in several pockets. Phil Jones, a BBC reporter, said he saw many refugees and guerrillas moving in and out of the city on roads that Indian spokesmen had said had been "sealed" by Indian troops.

Under questioning, the spokeswoman said that it was "quite likely" that Tamil guerrillas might escape Jaffna if they abandoned their weapons and fled with unarmed refugees. She and others noted that the guerrillas do not wear uniforms, and there is no way to distinguish them from civilians.

Her comments seemed to reinforce the fears of many Sri Lankan officials that by the time the Indian Army takes control of the city, the leadership of the Tigers will have vanished — possibly regrouping to fight in other places.

If this happens, the battle for Jaffna could be far less decisive than it appeared to be at first.



SITDOWN STRIKE IN SEOUL — South Korean riot policemen moving in to remove protesters from a sidewalk in Seoul on Friday. About 300 demonstrators, government employees who were dismissed in 1980 for political reasons, wanted to be reinstated.

## TALKS: Shultz Ends Talks Without Date for a Summit

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that he would be sending a letter to Mr. Reagan.

In the letter, Mr. Gorbachev plans to outline new Soviet proposals to reduce strategic weapons and Moscow's position on limiting space research and appeal for a similar outline of Mr. Reagan's personal views on the subjects, Mr. Shevardnadze said Friday night.

Both sides reported success in resolving a dispute over the West German based Pershing 1A mis-

siles and considerable progress in narrowing other differences over an Intermediate Nuclear Forces accord. The main outstanding obstacle is over the terms of verifying the gradual elimination of the missiles, U.S. and Soviet officials said.

Apparently in an attempt to put the Intermediate Nuclear Forces accord within close grasp, Mr. Gorbachev on Friday proposed a ban as of Nov. 1 on the production, testing and deployment of all medium- and shorter-range nuclear ar-

ms on both sides. Tass reported. Mr. Gorbachev also softened the Soviet stance on proposed cuts in strategic arsenals. Mr. Shevardnadze quoted the Kremlin leader as saying that an accord could put limits on the land-based intercontinental ballistic missile warheads of 3,000 to 3,300 for each side.

The U.S. has already proposed similar limits. Mr. Gorbachev also proposed putting limits on submarine warheads of 1,800 to 2,000 and air-launched missile warheads of 800 to 900.

Despite the concessions, Mr. Shultz and Mr. Shevardnadze, who appeared in consecutive news conferences on the same stage, both said that the key difference between the two sides was over the anti-ballistic missiles and both depicted the dispute as significant.

Signed by both countries in 1972, the treaty establishes the terms under which research on space-based weapons can be conducted.

**U.S. Questions Space**  
The White House spokesman, Martin Fitzwater, said Friday that Mr. Gorbachev's reluctance to hold a summit meeting with Mr. Reagan "raises a lot of hard questions about his intentions and purposes," The Associated Press reported from Washington.

Mr. Fitzwater spoke with reporters after Mr. Shultz announced in Moscow that Mr. Gorbachev said he was not prepared to visit the United States soon unless Washington changed its stand on the Strategic Defense Initiative.

## Weinberger Sees a Long Stay in Gulf

(Continued from Page 1)

Washington Post Service

WASHINGTON — Defense Secretary Caspar W. Weinberger said Friday that the United States and its allies might have to send even more military forces to the Gulf "if the situation continues" and warned that American forces would not be reduced substantially until the Gulf War ends.

Pentagon officials, meanwhile, said that the newest addition to the U.S. military in the Gulf was a team of five trained bottle-nosed dolphins requested by the U.S. commander there.

Mr. Weinberger, appearing before the Senate Foreign Relations Committee, warned on U.S. policies for protecting commercial shipping in the Gulf.

He first told senators that naval escorts would provide protection for any U.S.-owned ship, even those flying flags of other nations. But he later said that those vessels would be given military protection only if they flew the American flag.

He also said that U.S. military forces would respond to requests for assistance from any ship at risk in the Gulf, but he declined to specify what type of help the military would give, saying he wants to keep the details out of Iranian hands.

A Pentagon official later said Mr. Weinberger was referring to "humanitarian" not military aid. Speaking of the U.S. and its allies, Mr. Weinberger said, "If the situation continues, we all may have to do more."

Asked when the U.S. military would be able to reduce its forces there, he said, "At least not until stability returns, and that is most likely to occur when the war ends."

Sources said the trained dolphins would be used for mine-hunting and detection of underwater divers. They said the dolphins, who will be housed in shipboard tanks, were sent to the Gulf "to add a measure of security" to U.S. forces as well as to test the dolphins in "a realistic environment."

## Genscher Visiting Albania

Reuters

BONN — Foreign Minister Hans-Dietrich Genscher of West Germany left for a one-day visit to Albania on Friday.

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## HUNGARY: Joblessness and Tax

(Continued from Page 1)

raise their workers' pay as of Jan. 1 to compensate approximately for the taxes that they, rather than their employers, will have to pay.

Taxes on company profits will drop to about 70 percent.

Mr. Kupa said that next year's average earnings, adjusted for tax purposes, will amount to 76,250 forints (\$1,600). The tax bite will be about 3 percent, with no deductions for the first two children. The value-added tax, a levy on each product at each stage of transformation, will take a further 8 percent, Mr. Kupa added.

The new law also will increase the taxes of people holding second and third jobs, a practice of about a fifth of the working population. Until now, they were taxed only on their extra earnings. Starting next year, the wages from their principal jobs will be added to taxable income. Taxes in the top brackets will be 60 percent.

Mr. Kupa said the government had reached the politically difficult decision to apply strictly the bankruptcy law adopted last year, which will put about 200,000 people out of work.

"This is difficult because the political leadership still advocates full employment," Mr. Kupa said. The government will provide job retraining to those dismissed.

But placing them in new jobs will be difficult, he said. Labor mobility is low, because most Hungarian families include more than one wage-earner.

Enterprises have been ordered to

## PRICES: Soviets Feel Threatened

(Continued from Page 1)

month per person, and 30 percent of people's income is spent on food.

Many Soviet consumers do have money to spare — private automobiles are snapped up at prices of \$9,360 to \$14,040, and \$42.1 billion in savings are being held in private savings accounts. But much of this money comes from income earned on "the left," or illegally, or by people in far-flung places where salaries are high and goods scarce.

The archaic, cumbersome Soviet pricing system — based on 200,000 items individually valued by the state committee on prices — is widely viewed as one of the key handicaps to real reforms of the economy. Heavy government subsidies mean there is little relationship between production costs and retail prices.

The result is a heavy drain on the state treasury — \$88.9 billion in meat and milk subsidies alone last year — and waste. In Murmansk, Mr. Gorbachev noted that bread was so cheap that people had lost respect for the product and children used loaves as footballs.

The subsidies also lead to bizarre discrepancies: Mr. Gorbachev's example was that one pair of women's boots at \$187 to \$203 costs as much as one person's annual supply of 136 pounds of meat.

In June, the Communist Party Central Committee agreed to overhaul the entire pricing structure as part of a major economic change. For the first time, Soviet economists began to speak openly about the need to cut back food subsidies.

Economists have stressed that the price reform will not be completed for another two years — at

the end of the current five-year plan. They also emphasize that no basic food prices will go up without compensating increases in wages and pensions.

Mr. Gorbachev stressed the same point in Murmansk: "We do not solve economic problems by cutting the living standards of the working people."

But no matter how often these assurances are repeated, people are skeptical. With what editors called "transparent irony," one Izvestia reader said that "it seems — just imagine this — that prices are going to be raised in order to raise people's living standards."

Others took exception to Mr. Gorbachev's examples. "The problem isn't the price of meat," said one. "It's the price of boots."

The debate over food prices coincides with the rising cost of living in other spheres. The growth in semiprivate services, cooperative stores and restaurants usually has meant higher prices. In some cases, it has meant better goods and services; in other cases, it has not.

Liquor has risen in price over the past two years as part of Mr. Gorbachev's campaign against alcoholism. A pint of vodka now costs \$15.60, and lines continue to stretch out shop doors and down streets, creating another source of popular grumbling.

In Murmansk, Mr. Gorbachev also acknowledged hearing these complaints. "We know what people, lining up for liquor, say about the government," he said.

## WORLD BRIEFS

### Shiites, Palestinians Clash in Lebanon

BEIRUT (Reuters) — Shiite Muslim and Palestinian fighters battled with rockets and machine guns in Beirut and southern Lebanon on Friday after two Palestinian gunmen were killed in overnight battles, the police said.

They said the rival groups fought with anti-tank weapons, rockets and machine guns around the Chatila camp in southern Beirut and the Ain al Helweh camp near the port of Sidon. The clashes subsided at dawn.

Palestinian sources said one guerrilla was killed in Chatila and another was killed in Ain al Helweh before the violence cooled to sporadic sniper fire. No reports of any casualties among members of the Shiite Amal militia were available. Both sides agreed to a Syrian-sponsored truce last month, but the accord was not implemented because of differences over the withdrawal of about 3,000 guerrillas from areas near Sidon.

### Philippine Military Gains a Pay Raise

MANILA (Reuters) — The Philippine Congress substantially raised pay for the military and set up penalties for corrupt government officials in passing a number of bills on Friday.

Working to beat a weekend deadline before a two-week recess, the Senate raised the basic pay of officers and soldiers in an attempt to improve relations with the military establishment. The highest-ranked general's monthly pay will be increased to \$530 from \$357 a month, and that of a private to \$48 from \$23 a month.

An ethics bill called on government workers to "lead modest lives appropriate to their positions and income." It provided maximum penalties of five years' imprisonment and a \$240 fine. The House of Representatives, after an all-night session, approved an \$8.6 billion national budget for 1988.

### 1,099 New AIDS Cases in 2 Weeks

GENEVA (Reuters) — The number of AIDS cases reported around the world rose by 1,099 in the past two weeks, the World Health Organization said Friday.

It said a total of 62,445 cases of acquired immune deficiency syndrome had been recorded in 126 countries up to Oct. 21, compared with 61,346 in 124 countries on Oct. 7.

The United States, which has the highest individual total, reported 172 new cases, raising its tally to 42,354. Brazil was second with 2,013 cases, an increase of 318 since its last report in April. France, with 1,980 cases, had the highest total in Europe.

### Karpov Defeats Kasparov in Game 5

SEVILLE, Spain (Reuters) — Anatoly Karpov, the challenger, took the lead in the world chess championship on Friday with a victory over Garry Kasparov, the champion, in the fifth game.

Mr. Kasparov resigned after 38 moves. The victory put Mr. Karpov, 36, ahead for the second time in the 24-game match, which he now leads by a score of 3-2 with two victories, one loss and two draws.

Victory will go to the first player to score 12 and one-half points or win six games. In the event of a 12-12 tie, Mr. Kasparov, as champion, would retain the title. The next game is scheduled for Monday.

GAME 5				EXCHANGE VARIATION			
White	Black	White	Black	White	Black	White	Black
Karpov	Kasparov	Karpov	Kasparov	Karpov	Kasparov	Karpov	Kasparov
1. P-O4	N-KB3	14. K-R	O-O3	27. N-B3	R-O1		
2. P-O4	N-KB3	15. P-K3	O-O3	28. R-B1	O-B3		
3. P-K3	N-KB3	16. P-K3	O-O3	29. R-B1	O-B3		
4. P-K3	N-KB3	17. N-K4	O-O3	30. R-B1	O-B3		
5. P-K3	N-KB3	18. P-K4	O-O3	31. R-B1	O-B3		
6. P-K3	N-KB3	19. P-K4	O-O3	32. R-B1	O-B3		
7. P-K3	N-KB3	20. P-K4	O-O3	33. R-B1	O-B3		
8. P-K3	N-KB3	21. P-K4	O-O3	34. R-B1	O-B3		
9. P-K3	N-KB3	22. P-K4	O-O3	35. R-B1	O-B3		
10. P-K3	N-KB3	23. P-K4	O-O3	36. R-B1	O-B3		
11. P-K3	N-KB3	24. P-K4	O-O3	37. R-B1	O-B3		
12. P-K3	N-KB3	25. P-K4	O-O3	38. R-B1	O-B3		
13. P-K3	N-KB3	26. P-K4	O-O3	39. R-B1	O-B3		

### For the Record

Geidar A. Aliyev, who was dropped from the ruling Soviet Politburo this week, has relinquished his post as a first deputy prime minister, the official Tass press agency reported Friday.

The Zimbabwean parliament chose 10 whites and 10 blacks on Friday to fill 20 seats in the lower house that had been reserved for whites until last month. The 20 seats reserved for whites under the country's first constitution after independence were abolished by parliament.

The United States carried out an underground test of a nuclear weapon Friday near Las Vegas, Nevada, the Department of Energy announced. It was the 15th nuclear test this year.

A bomb exploded Friday outside a shop in Peshawar, Pakistan, killing four persons and wounding 17, officials said.

Two Chilean journalists, Marcelo Contreras and Sergio Maras, who were detained for nearly two months on charges of slandering President Augusto Pinochet, have been freed on bail on the orders of the Supreme Court.

(Reuters)

## TRAVEL UPDATE

### Day 6: Moscow Airports Fogbound

MOSCOW (Reuters) — Moscow was engulfed by thick fog for the sixth straight day on Friday, preventing air travel and clogging the capital's air terminals with thousands of stranded passengers.

An employee of Aeroflot, the Soviet airline, said that a few planes took off Friday morning from Sheremetyevo International Airport but that no landings were allowed. At the domestic airports of Domodedovo and Vnukovo, all flights were canceled until at least noon.

The Communist Party newspaper Pravda reported that about 500 foreign tourists had been stranded since Monday in Tashkent, in Soviet Central Asia. It said a special train left Tashkent for Moscow on Thursday with 800 people on board, out of more than 2,000 travelers waiting for flights to Moscow.

The North Korean state airline will open weekly air service between Pyongyang and East Berlin on Nov. 12 by extending its existing Pyongyang-Moscow route, Radio Pyongyang reported Friday.

(AFP)

## REAGAN: Congress Is Criticized

(Continued from Page 1)

ference in seven months was welcomed by administration officials. "He kept all the options open," a senior administration official said. "He stuck to what we wanted him to say."

Mr. Reagan appeared calm and self-assured at most points in the news conference and clearly wanted to convey a sense of confidence to American viewers and financial markets around the world. Talking both of the drop in stock prices and the military exchanges in the Gulf, Mr. Reagan said, "There's nothing to panic about."

Mr. Reagan seemed to be sending two messages. He wanted to signal Wall Street that he will compromise with Congress, but he wanted to tell the public that he still believes Congress is at fault for the deficit.

Time and again, reporters almost taunted him by recalling his past statements that taxes would rise "over my dead body."

"He was holding his tongue," a White House official said. "He knew everyone was going to taunt him — we expected that."

(Reuters, AP)

### Uganda Rebels Said to Kill 25

Reuters

KAMPALA, Uganda — Ugandan rebels have killed at least 25 civilians in two separate attacks in the eastern Mbale district. The government-owned newspaper New Vision reported Friday that more than 16 people were killed and 11 were wounded on Thursday when rebels opened fire on two vehicles carrying local traders.

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# THE GERMAN ART MARKET

## Old Masters and New Business

TWO decades of post-war struggle, followed by a revival of interest in the late 60s, have left the German art market in good shape.

Dealers and auctioneers are seeing a new generation of buyers emerge, yet the market remains as decentralized as the country's political system. Four distinct regions each boast their own major annual art fair, auction houses, galleries and dealers.

**The North** (Hamburg, Bremen, Lübeck, Kiel & Hannover) has been traditionally subject to Anglo-Saxon and Scandinavian artistic influences. To coincide with its famous industrial fair in Spring (the "Hannover Messe"), Hannover hosts an attractive antiques fair in Schloss Herrenhausen.

Among those present at the 19th Fair last March: Karl Vonderbank, a well-known prints and drawings dealer from Frankfurt; Neuhaus of Würzburg; Xaver Schweidwimmer (old masters) and Herbert M. Ritzer (silver and decorative arts) of Munich; and catalog editor Thomas Le Claire of Hamburg, a young specialist in old master drawings.

**The West** (North Rhine-Westphalia, Baden-Württemberg and the western part of Hesse: Düsseldorf, Cologne, Frankfurt, Heidelberg, Stuttgart) has always been influenced by its neighbors: Netherlands,



Above, view of exhibition hall in the Orangerie of Berlin. Right, bust of Julius Caesar by Muskat shown by Galerie Neuse.

Belgium and France. The wide-ranging "Wesdeutsche Kunstmesse" is held alternately in Düsseldorf and Cologne just prior to the Hannover Fair each spring. Prices are highly competitive when compared to those in London, Paris or New York.

**The South** (Munich, Augsburg, Würzburg and the Bodensee area) has some cultural ties with France but artistic taste remains closer to that of Italy and Austria. This weekend the "Münchener Antiquitätenmesse" opens its doors for the 32nd time, making it Germany's longest-established art fair.

Over 150 dealers, many from

southern Germany, will be participating in one of the most prestigious events in the German art calendar. Among the top-ranking specialists present: Munich's Amoldie Livie (old master drawings), Julius Böhrer (old masters and furniture), Helmut Selig (silver), Heinz Reicher (porcelain and faience), Robert Wölle (old books and prints) and Eberhard Hennemann (antique carpets); Albrecht Neuhaus (French furniture) of Würzburg; and Galerie Neuse (silver and decorative arts) of Bremen.

Berlin's checked, cosmopolitan 750-year history has resulted in a unique artistic style.

Unfortunately, due to its post-war isolation, the city has struggled to regain its former art-market importance. Berlin's "Ostgalerie" Fair is Germany's newest and was held in September for only the sixth time. Unlike other fairs it is organized by the participants themselves. Around 100 dealers, headed by Bernd Schulz (President of the Berlin Art & Antique Association), have rapidly established its international credentials.

The oldest and possibly finest of Germany's 25 major auction houses, Lempertz of Cologne, has belonged to the Hanslein family since 1870. Its 40 experts cover a vast artistic spectrum.

Dörfling of Hamburg, specializing in books and prints, is another of the country's oldest firms. Their clients include not only German dealers and collectors but experts from all over the world.

Hannung & Karl (formerly Karl & Faber) of Munich (founded after World War I) specializes in modern art and organizes two annual sales of international importance.

Other well-known auctioneers include Neumeister's, Ruel and Kretzer (Munich), Nagel (Stuttgart), Hauswedell & Nolte (Hamburg) and the Villa Grisebach (opened in Berlin 18 months ago). But plenty of

smaller auction houses or galleries have found there is room on the market for all. Take Hermann Historica (Munich), Galerie Mensing (Hamm), Schloss Ahlden and Karlstein & Schulze (Düsseldorf) or Staffordshire Enamels.

"Some people complain that the German art market is a bit slow-moving," admits Eberhard Hennemann, a respected expert from Munich who does much of his business with foreign clients. "But why set up in London or hectic New York when you can work and live so well over here?"

"Quality is always in demand at the international level," de-

clares Dagmar Fleischmann (Munich), a dealer in 19th/20th century watercolors, drawings and sculptures.

"We've always done business with international clients," adds Mr. Schweidwimmer, an old master specialist from Munich. Collectors come from far and wide to admire — and buy — his Dutch Masters. "Our prices must be reasonable to satisfy our German clients. This makes us highly competitive in international terms."

"Modern art is still what counts," asserts Mr. Paffrath, a Düsseldorf specialist in 19th century art whose gallery has been in the family since 1857. "But more and more buyers are looking back to the 19th century and old masters." The number of new dealers in these fields lends weight to his claim.

Art historian Sabrina Förster recently opened an old master gallery in Düsseldorf and travels widely — mainly in Italy and the Netherlands — to hunt out new pictures. Both Förster and G.C. Boerner (Düsseldorf and New York), an internationally renowned dealer in old master drawings and fine prints, detect

increasing demand among young buyers.

One dissenting voice in the chorus of artistic optimism is that of Dr. Fritz Conzen, a major figure in the German art world. Conzen possesses one of Germany's leading collections of frames, runs a framing business and owns a number of art and antique shops. He criticizes German dealers as "parochial" and deplores the "lack of help and understanding" displayed by federal authorities.

Yet most of his colleagues consider the German market to be in good shape, internationally competitive and on line for an even better future. One promising sign: next spring, New York's Metropolitan Museum will be opening a wing devoted to German furniture and decorative arts. German dealers are naturally hoping to reap commercial benefit. As Würzburg's Albrecht Neuhaus puts it: "This should attract new trade to the German market and do wonders for the reputation — and value — of German arts and crafts."

This advertising section was written by Roswitha Erbslöh.

## Contemporary Cologne

ART Cologne, to be held November 11-18, will be the next of West Germany's nine major annual art fairs. Its theme: contemporary and avant-garde art. A full 22,000 m<sup>2</sup> of Cologne's Rhinebank Hall will accommodate 165 participating galleries from 16 countries. Over 55,000 visitors are expected as what many consider the best and most dynamic art show in Europe.

This year's attractions include an exhibition of 20th century prints and drawings, organized by Berlin's Kupferstichkabinett, and the seventh

Young Artists' Sponsorship Program. Each of the 17 artists, all aged under 35, has been assigned his own stand. The program has already helped artists such as Ina Barfuss, Thomas Schürte and Jan Voehave achieve international acclaim.

Foreign dealers — Americans excepted — have been a regular presence over recent years. "If German buyers are convinced that an artist is or soon will be famous, they don't worry too much about the price, comments one French dealer, adding that: "In Cologne you meet a wide

variety of people, including collectors and museum curators you don't see in Paris or Basel. Collectors visit the fair to check out the German dealers who don't exhibit abroad."

Twenty years ago no one could have foreseen Art Cologne's current success. In 1966, 18 German galleries founded the Association of Progressive German Art Dealers with the aim of promoting the "Avant-Garde" in Germany. They refused to admit foreign members, fearing competition from international dealers. When their first fair was organized in Cologne in

1967 — the first modern art fair in the world — they exhibited 600 paintings, drawings, sculptures and objects by 300 artists from Germany and abroad.

The event was an immediate success and in 1968 — worried about competition from the nearby Düsseldorf Fair — Art Cologne invited several prominent foreign guests: Denise René (Paris), Feigen and Castelli (New York), dell'Aricce (Milan) and Rowan London.

Art Cologne has come a long way since then. It finally

threw off the Düsseldorf challenge in 1983, when members of the Federal Galleries' Association voted three to one in favor of Cologne as the better fair venue.

Works by over 1,300 artists are now exhibited annually and sales of up to one million DM have been recorded. Leading prices last year included 700,000 DM (\$390,000) for a painting by E.L. Kirchner, 300,000 DM for a Baumeister and 100,000 DM for a painting by Kriepelle.

Art Cologne is open daily 11 a.m. - 8 p.m. Entrance free.

12 DM. For hotel reservations, contact the Cologne Tourist Office (telephone: 221 33 45/telex: 8883421).



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# Herald Tribune

Published With The New York Times and The Washington Post

## Agree on Defense Steps

Technology is America's strong suit in countering Soviet military might. Nowhere is that strength more evident than in the Strategic Defense Initiative, like sensors, nuclear-clearing energy weapons and free-electron lasers. The White House is eager to deploy a missile defense system as soon as possible. But that purpose defers two goals — building a more effective system later, and reaching agreement to reduce offensive missiles with the Soviet Union now. Both goals can be maintained by agreeing to forgo deployment for at least 10 years, and by following up a recent Soviet proposal to negotiate limits on the scale of "star wars" tests.

President Reagan is fast running out of time to achieve agreement on strategic arms. The tragedy is that he does not seem to understand that it is possible to devise limits on testing of defensive systems that would permit orderly development of the technology. And the immediate gain would be the first deep cuts in long-range nuclear forces.

There is no way the Russians will agree to reductions if they fear that their remaining offensive missiles will be negated by an imminent American defense system. Apprehensions will be acute if they judge that system too half-baked to resist an initial attack, but possibly effective against a ragged Soviet retaliation — in other words, as the shield to accompany an American first strike. Moscow may also fear the use of space-based weapons as part of a first strike.

To foster an arms reduction deal, the ad-

ministration has agreed to build no defenses for about five to seven years. But the Anti-Ballistic Missile Treaty of 1972 is being eroded by accelerated development and testing of various star wars devices. Instead of unilaterally testing devices that almost certainly violate the treaty, Mr. Reagan could first negotiate with the Russians on what tests would be allowed, as the treaty requires.

The two sides could set physical limits on the size of mirrors, lasers and other anti-missile devices. These would permit developmental models but prevent testing of full-scale components. They would not impede a robust research program.

The administration protests that such limits would be unverifiable. But the Russians have recently accepted on-site inspection. Another objection is that negotiating such parameters would require intolerable Soviet intrusion into American research programs. But in fact the Pentagon already observes limits of its own making. And Mr. Reagan has often pledged to share the fruits of star wars technology with Moscow.

Without new agreement, the ABM treaty and the principle of mutual deterrence will continue to be eaten away by the Pentagon's testing program. It is hard to escape the conclusion that this is precisely the administration's goal. Surely everyone would like to escape the terror of which mutual deterrence depends, but to attempt the escape without real prospects of a near-perfect defense can only add to competition and dangers.

—THE NEW YORK TIMES

## COCOM Needs to Focus

Toshiba and Kongsberg, it now appears, are not the only foreign manufacturers to have violated the embargo on strategic technology for the Soviet Union. Dozens of computer-controlled milling machines were evidently sold to the Soviets by Europeans, including French and West German companies. These cases have come to light in the investigations that the Japanese and, especially, the Norwegian police have been pursuing. All the NATO countries plus Japan belong to the Coordinating Committee for Multilateral Export Controls, COCOM, which is supposed to run the embargo. It seems that many of its members have not been taking their obligations very seriously.

The remedy is not merely to berate them. The United States has contributed to this general lack of regard for COCOM rules. Over the years it has tried to extend the export rules to too many kinds of goods, some widely available even in countries outside COCOM. By its constant attempts to extend the export control net too widely, to include much that obviously cannot be controlled and much that is of only marginal importance, the United States has given the whole system a reputation for being overblown and unworkable. In that atmosphere,

it is not surprising that evasion flourished. The other COCOM members need to think more carefully about their responsibilities, and the very good reasons for maintaining restrictions on sales to the Soviets. But Washington can help by revising its own standards. The Pentagon has consistently pressed for longer and more minute lists of prohibitions and more laborious licensing procedures. The Commerce Department has tried to keep the process shorter and sharper. A deadlock prevails between them. One of the better provisions in the trade bill now before Congress would break it in the right direction, toward greater selectivity.

The United States is not going to be able to impose its position unilaterally on its allies. Technology spreads fast, and the strategic goods of which America is still the sole supplier are a diminishing catalogue. Like any embargo, this one has to rest on a consensus among all the allies that it makes sense. The other countries are going to have to strengthen their controls and their enforcement. But to make that possible, the embargo is going to have to be focused more sharply on the short list of technological goods that, everyone agrees, really count.

—THE WASHINGTON POST

## New York Takes Stock

New York City is a capital of world finance, and this week it has become a capital of financial trauma. How will the fallout affect New York and other cities where financial services play a big role in local spending and taxing? Common sense dictates serious local planning for the worst, even as federal officials wrestle with the budget and international trade issues.

In New York, the securities industry and supporting fields like printing, accounting and legal services employ some 250,000 people. They are some of the most highly paid in town. The average salary on Wall Street last year was \$65,000 before bonuses and other perks, compared with an average of \$19,000 for all other city industries.

Even before Black Monday, Wall Street's high times had begun to fade. Such major league brokerages as Salomon Brothers and Kidder Peabody were already planning to retrench, while Faine Webber and Dreyfus are moving jobs out of town. The events of this week portend an acceleration of those trends, and powerfully threaten the city's real estate development boom. The jolt to the local economy could be devastating. Financial services and real estate contribute \$21 billion annually to the city payroll, more than 25 percent of the total.

Such a sharp reduction in personal income would ripple far and wide. Dismayed stockbrokers make grim jokes about finding new jobs as waiters — yet even those jobs might soon be hard to find. Manhattan restaurants have flourished in tandem with the stock market boom. Entertainment and retailing would also suffer.

The possibilities must cloud any projections that city budget planners have been using to forecast tax revenues. The city also faces a \$300 million budget gap if the market turmoil forces Salomon Brothers to reconsider its backing for an office tower on the site of the Coliseum. Meanwhile, the city has just reached rich labor settlements with teachers, teamsters and other workers.

There is slight chance New York's 1970s flirtation with bankruptcy will soon be replayed. That crisis remains alive and well in the memories of the city's bondholders, who would surely step in before the red ink rose too high. But City Hall would then be forced into draconian cuts under severe time pressure. Essential city services would be dealt stiff body blows, and it could be years before the city recovered. Whatever the uncertainties, it is not too soon to plan now for a more orderly accommodation to such a disaster.

—THE NEW YORK TIMES

## Other Comment

### Reagan Provokes Skepticism

Too often disappointed in the past, and still traumatized by this week's collapse, the markets have reacted skeptically (to President Reagan's press conference). Any budget compromise seems far off, and its scope questionable in a presidential campaign period. Tokyo was the first financial center to react to Mr. Reagan's words — with a 5 percent drop. Placards and conciliatory gestures won't do. The operators wait action.

—Le Monde (Paris)

### The Party Congress in China

China's momentous 13th party congress, due to open on Sunday, is expected to decide the issue of who will at last take over from octogenarian leader Deng Xiaoping and his elderly colleagues. It could also set policy trends for the next few years by taking deci-

sions on reforms which, once made public before the assembled delegates, would be awkward to undo. Certain to be discussed is the question of political reform. This is not political in the Western sense, since it will not deal with changes in the system but simply with proposals to separate party and government functions and the need to insist on high qualifications for party members.

—The Financial Times (London)

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## OPINION

## United Nations: Working Together at Last?

By Lincoln P. Bloomfield

CAMBRIDGE, Massachusetts — Moscow's decision to pay its United Nations dues follows Mikhail Gorbachev's extraordinary call for wider use of United Nations forces in "cease-fires and armistice agreements." This apparent change in policy comes at a moment when America is engaged in dangerous do-it-yourself peacekeeping in the Gulf. And it can supply the occasion for a long-needed recalculation of how the United States should approach global problems that it cannot handle alone.

In the 1940s and '50s, the Soviet Union was an embattled minority in the United Nations, spouting propaganda and blocking constructive efforts toward peacekeeping and peacemaking. In the 1960s and '70s, as the UN population tripled with 100 newly independent states, the United States wound up on the short end of lopsided votes.

For Americans disillusioned with one-sided majorities on Middle East issues, politicization of the UN technical agencies and a double moral standard toward the superpowers, a backlash was predictable, culminating in the 1980s in an assault on the very notion of parliamentary diplomacy. But politics in the United Nations changed, too. Overwhelming majorities, for example, have condemned the Soviet invasion of Afghanistan and Iranian hostage-taking. America-bashing has diminished and pragmatism has increased in the specialized agencies.

Soviet motivations are unknowable. But America's should be clear. The costs of directly intervening in ambiguous local wars are becoming excessively high for both superpowers. Simple logic commands a new superpower approach toward conflict-prone regions of marginal inter-

est. The same logic indicates a revived UN role aimed at containing local conflicts.

The ultimately tragic "do-it-yourself" peacekeeping mission in Beirut, like the unplanned taking of sides in the Iran-Iraq war zone, violated a cardinal rule of diplomacy: "Never get between a dog and a lamp-post." Lebanon, America should be working toward an international corridor of peace and national reconstruction. In the Gulf, well conceived strategic doctrine would

give U.S. and other warships an additional blue flag symbolic of a neutral peacekeeping mission. It has always been true that the United Nations machinery can work only when the superpowers agree. Moscow's positive words — assuming there is substance behind them — could spur a carefully rethought United States strategy.

The writer, who has served with the U.S. State Department and the National Security Council, is professor of political science at the Massachusetts Institute of Technology. He contributed this column to The New York Times.

## The Powers' New Harmony Is on Trial in the Gulf

UNLESS Iran and Iraq heed the repeated demands of the United Nations Security Council for a cease-fire, a cruel war, with all its destabilizing effects, will drag on. That could imperil the newfound "working unity" of the five permanent members of the Security Council.

For lack of an adequate response to its first cease-fire demand, the council had to decide between tougher measures and continued diplomatic efforts. It chose the latter course. An arms embargo and a UN naval force have been mentioned, but opinions differ between the permanent and the non-permanent members. In any case, according to Resolution 598 of last July 20, a cease-fire is "a first step toward a negotiated settlement." That means political and diplomatic methods.

So the council acted wisely on Sept. 25 when it asked the secretary-general to consult with the two parties on the establishment of an impartial body to determine the causes of the conflict.

It happened that the foreign ministers of the permanent members were in New York at the time. The U.S. and Soviet ministers had just reached agreement in principle on a treaty for nuclear arms reduction and were anxious not to disturb the spirit of compromise. On Oct. 15, Secretary-General Javier Pérez de Cuellar obtained the council's backing for his plan to have the cease-fire take effect on the same day — no more than 15 days distant — as an impartial body was to start looking into the question of the responsibility for the conflict. Again, the council acted in unity, with firmness and flexibility.

The coming days may be critical. Mr. Pérez de Cuellar needs support. What is also needed is sustained and coordinated pressure from the permanent members until the cease-fire is achieved. — Elyse Chasnovsky, a Soviet citizen living in the West and a former senior United Nations official, commenting in a personal capacity.

## Americans and the Crash: People Knew All Along

By David S. Broder

FRESNO, California — Virtually the first question a visitor from Washington was asked at the midweek luncheon here of the San Joaquin Valley Town Hall was this: Will the stock market crash shock the politicians into doing something, finally, about the ever mounting national debt?

The answer from this corner was a resounding "Maybe," but the impulse was to rush over and hug the blue-haired lady who had asked. She had just confirmed this instant reporter's belief that the people are way ahead of the politicians on this issue.

Let me stipulate at once that I do not know what caused the big drop in the Dow Jones average last Monday — whether it was an unexpected trading program run amok, panic in the brokerage offices or a reaction to real-world economic, political and diplomatic concerns. What I do know is that the people of America have seen this trouble coming for a year or more and are impatient with the big shots' obtuseness in getting the message.

Last autumn, when three colleagues at The Washington Post and I fanned out from St. Louis to do a week of voter interviewing in various parts of the country, we found the mood nationally altered from what it had been at a similar point in 1984.

The 1984 Olympic year euphoria, fueled by the psychological liberation from the nightmare of inflation, had made people welcome President Reagan's campaign commercials. Back then there was an irresistible impulse to savor the moment, to let the good times roll and to reject any dissonant signals of trouble ahead.

Last fall it was very different. Inflation was still low (for which Ronald Reagan and the Republicans were thanked), but disquieting signs of economic upheaval were noted in many of the living room interviews. Companies were closing and jobs were being lost through mergers and acquisitions, shifts to overseas sites or foreign competition. People were spontaneously linking the worsening of America's competitive position in the world, the wasted red-ink budgetary practices of the Washington politicians and the wheezing and dealing of the Wall Street takeover artists as symptoms of a national disease: economic excess.

What we reported at that time was an increasing disquiet, a sense that we were living beyond our means, a fear of a day of reckoning.

These informal interview findings were supported by the results of our national survey, using the favorite question of Mr. Reagan's pollster.

Richard B. Wirthlin: Is the United States basically on the right track or seriously off on the wrong path?

For the first time since the recession of 1981-82 ended, the answer to that question became primarily negative in 1986. Exit polls after the November midterm election showed that the sharp decline in national economic confidence was probably the single greatest factor in swinging the Senate majority to the Democrats.

When we went out again last spring to Knoxville and again in the summer to Cleveland and to the Chicago suburbs, we heard the same thing. Times were good for most people but trouble lay ahead. The polls continued to confirm those findings. In September the Washington Post-ABC News survey found respondents saying by a 5-to-4 margin that the nation was "seriously off on the wrong track."

The sound of the Dow Jones aver-

age cracking under the feet of the Wall Street speculators confirmed the popular wisdom. The American people knew in their guts that you cannot live beyond your means indefinitely without facing the music. A country that pays 80 some cents in taxes for every dollar's worth of defense and domestic services it receives from the government, a country that borrows more each year from foreigners to finance its national debt, a country that buys more from abroad than it is able to sell — that country is looking for trouble.

Until very recently, the voters' fears centered on their children. The apprehension was that they would pay, one way or another, for our wasteful habits.

When the Dow cracked, you could feel the shivering sensation that the day of reckoning might be at hand. That is why so many of the questions here centered on what those Wash-

ington politicians were prepared to do.

The only answer I could give was: Wait and see. The Senate, under its old Republican and current Democrat majorities, has voted repeatedly to discipline spending (domestic and defense) and raise revenues. The House blew hot and cold on the issue under Tip O'Neill, but has matched the Senate in self-disciplined budgeting this year under Jim Wright and Bill Gray. President Reagan has been the reluctant dragon, balking at talk of tax hikes and defense cuts, but he sounded at times this past week as if he were finally ready to listen and negotiate.

Years back, Wyoming's Senator Alan Simpson explained what it takes for politicians to make the hard budget choices and step up to the challenge the voters clearly see: "We all have to link arms and go over the cliff together." Last week it felt as if we had fallen off. That may be enough to get the politicians to link arms.

The Washington Post

## It's a Casino, So Stop the Complaining

By A.M. Rosenthal

NEW YORK — After the crash I did exactly what most people with a telephone were doing. I called some friends I respect to try to find out what in Heaven's name was going on.

Felix Rohatyn has become almost a trademark for large financial deals. He was one of the rescuers of New York City during its financial crisis 12 years ago. He told me that the crash was not an aberration but was created by the worldwide casino that the market has become. He said it was a warning that things were seriously wrong. He said that unless something was done short-term and long-range to reduce the deficit, increase federal revenues, lower interest rates and come to some understanding with the other great financial powers, particularly West Germany and Japan, it would remain a "land mine out there" and that recession was a real danger.

Robert Price, a former deputy mayor of New York, has created a growing communications business out of his own intelligence and endeavor. He said the economy was in excellent condition, that the market would recover, nothing goes straight to the moon except astronauts. Recession? As far away as the Fifth World War.

I called a young friend, rising and admired in finance but properly cautious about speaking publicly at this point in his career. He talked about something neither of the other two had

seen firsthand — the sense of terror and panic that had seized his peers. Men and women in their 20s and 30s had been entrusted with managing hundreds of millions of dollars in mutual and pension funds. They had never faced a real professional crisis until Black Monday, and they knew it. We look at each other and we seem so young, and I think thank God I am not a money manager.

Then, one of the city's premier psychiatrists. What was going on inside the traders? Why the panic? He said he had found that people who quickly make huge amounts of money on the market suddenly feel that they have special talents and virtues, and that they are the select. Society encourages that — all the television and newspaper stories about the young money geniuses; financiers as show biz stars.

But the psychiatrist said that inside themselves, they knew that they were not that brilliant and deserving, had not built or created anything. So when a threatening crisis erupted, it triggered a sense of panic growing out of the sensation of being exposed as a fraud — not in control, not real.

I studied the notes of those conversations and saw the meanings that connected them: America has created a market system which controls the

economy and which the best people in it do not completely understand. I respect the opinions of a Rohatyn and a Price, but their startling differences give me something of a chill.

And surrounding us is a miasma of predictions, forecasts and pronouncements from "experts" not worthy of respect at all. We in the press, print and electronic, promote stock-pushers into "market analysts." There is nothing wrong with a fish peddler but must we call him an ichthyologist?

Youngsters maneuver billions, and they are frightened. They may be to blame for arrogance, but their elders are to blame for their own fantasy that youth would bring in the gold. Greed is not generational.

Neither is it regional, racial, religious or the invention of Wall Street. All over the United States millions of people have been throwing money into packages of shares of various companies whose very names they do not know. The investors not only expect but demand that the managers dump the stock packages without any concern for the economy or the companies involved or their employees.

Companies can pour talent and treasure into solid long-range plans and be crippled by badmouthing from the press-created experts as the result of one less profitable quarter. The mistakes and the fate of hard-built companies rise up and down as the result of computerized trading that Mr. Rohatyn says many senior people on the market simply do not understand.

Wall Street's panic and fear, said my psychiatrist friend, are the other side of greed. But investors idolize the greediest, cling to them, hoping that a few coins will drop into their own pockets. Then the investors complain bitterly when the greed-gods, young or old, suddenly panic and collapse in reaction of their own inadequacies. Nobody will ever take from America their constitutional right to pursue the fast buck. There have been Wall Street panics since 1792. Before the next one, it might be useful to remember that those who choose to enter the casino must leave their complaints at the door.

The New York Times

## 100, 75 AND 50 YEARS AGO

### 1887: Wild West Show

LONDON — The last week of Buffalo Bill's Wild West commences tomorrow [Oct. 24]. Ever since the entertainments opened, the immense buildings at West Bromwich have been daily crowded. Altogether the exhibition may be said to have been a most successful one, and the reception given to Buffalo Bill (Colonel W.F. Cody) in his Wild West performance on every occasion showed how much it was appreciated. The Indians found the climate of England rather trying, and were surprised when they first set eyes on an English fog.

### 1912: Too Few Women

WASHINGTON — No wonder so many young men lead lonely lives. The Census Bureau has just discovered that this country is short 3,000,000 girls — that is, there are that many more men than there are women. It used to be that there were girls enough to go around, and a

## Solutions To the Pain Are Ready

By Flora Lewis

PARIS — There was no lack of warning, and not just from Cassandra but also from serious, knowledgeable people.

Last year, high-ranking government officials, bankers and economists at an Aspen Institute meeting in Venice produced a very gloomy consensus; several even said they hoped for a sudden crisis to shock governments into doing what all knew had to be done. Henry Kissinger and his New York financier Felix, ago, the New York Times said, "I am frightened and utterly baffled." What he said in the air, he said, "1928-29 fever."

Now the crisis has come in the stock markets. If any further proof were needed that financial markets have been "globalized," it is in the chain reaction that swept through every financial center around the world in less than 24 hours. The question has to be whether those with responsibility are at last prepared to take the necessary concerted measures to stem the damage and prevent the losses from spreading through the banking system and the world's economy.

There is a tendency to blame the United States for its long failure to deal with budget and balance-of-payments deficits. And there is good reason. As the world's largest market and highest political power, and the source of the world's reserve currency, which also serves as the measure of most commodity values, the United States is the only country that can lead in organizing cooperative moves.

It has been dilatory and negligent for a generation. The beginning of its misconduct was failure to pay for the Vietnam War with revenues, letting inflation build up instead. Then came the poor management of the 1973 oil crisis and its tremendous impact on the terms of trade and distribution of available funds. The banks were left to "recycle" petrodollars higgledy-piggledy, building up mountains of bad debt whose servicing needs further skewed trade and dried up purchasing power where it was most required.

The last seven years have added a jerry-built structure of deregulated and speculative markets on the undermined foundations and made the United States the biggest and most grotesque debtors' club member.

But it is not in anybody's interest to push the United States into brutal, abrupt correction of its bad habits by depression. All countries would suffer. Those U.S. foreign debts came as a result of other states' flourishing exports and capital accumulations. Their growth could not be sustained if the U.S. economy were left to falter, and the weak would simply collapse.

Unlike 1929, there is an international pool of experts who know quite well what governments must do. There are institutions to provide the forum. Decisive action is possible and it is only up to the political leaders to make the decisions that the markets are now pushing them for putting off.

The essential first step is to show at last a willingness to act together — in the United States the administration with Congress, in the world the seven leading democratic industrial countries. There have been calls in Europe for an emergency meeting of the seven, possibly at the summit but preferably among finance ministers.

But this time the ministers must do more than merely prop up currency and fiddle with debt schedules. They must proclaim what they well know — that currency, trade, debt and aid are all intimately connected and internationally interdependent — and draw the consequences.

That certainly does mean a willingness in America to cut the budget and raise taxes; in West Germany to spur growth, which would also help cut its high unemployment; in Japan to raise spending on domestic infrastructure, and, very substantially, on foreign aid to the Third World. A far more schematic, overall plan is required for dealing with Third World debt, so that impoverished countries can renew their import schedules and continue developing. There must be an early, clear signal that the surge toward protectionism will be stopped and that trade can be expected to expand.

All this sounds vast and complex, but the studies have already been made, the needs identified, the tools made available. They have not been used because with responsibility have been avoiding accepting it. It is not too late, but time is running out.

The politicians will not be the last to feel the pain that is coming if they refuse to act boldly and in concert. There is no way for one party or one country to preserve an advantage. Everybody's in this together.

The New York Times

lot to spare, but the latest figures show that the joyous time has passed. The Census Bureau rather believes that this condition is due to the increasing immigration and to the fact that most of the immigrants are men who do not bring women with them.

### 1937: The Pianist Bows

ATLANTA — Ross Ponselle's soprano voice rose and fell in Tchaikovsky's "Adieu Forêt." Suddenly the Metropolitan star interrupted off-stage and tossed back to her pianist, Stuart Ross, a hasty "You're on the wrong key." Ross replied: "No, I'm not." Then to the audience Miss Ponselle said, "Excuse me, please," and consulted with her accompanist. After a swift glance at the music board she announced triumphantly: "You've got the controls right." The audience joined her in laughter while Ross hurried backstage to retrieve the soprano score. The song over, the singer urged Ross frontstage to take a bow. As he bent, she tweaked his ear.



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ECONOMIC SCENE

Trading Pulsates on Logic, Mixed Signals, Gut Fear

By LEONARD SILK  
New York Times Service

NEW YORK — What lies in the minds and bellies of the people who buy and sell stocks these hectic days, driving the market up, driving it down and driving each other crazy? The forces are so complicated and contradictory. Rationality, the normal assumption of economics, clashes with fear, the subject matter of abnormal psychology. Sophisticated judgment wars with simple prudence — and a natural desire to save one's skin.

No one can be sure which is the better guide to calling the market turn. Talk with a dozen people, and one gets a dozen different reasons.

"You can't kiss a speeding locomotive," said Kenneth Zuckerman, a 43-year-old tax lawyer with Weiner, Zuckerman & Weiss in Manhattan. "Personally, I think the deficit is here to stay for a while. I'm getting into cash and short-term government bonds and into blue-chip stocks that you put away and forget about."

He added, "You have to be a lot smarter or dumber than most of us to play this market."

Not everyone is deeply disturbed by the market's violent wrenching. John C. Whitehead, the deputy U.S. secretary of state who came from Goldman, Sachs & Co., believes that the market is working out its excesses.

"I don't think all the things the media and the economists talk about — the dollar, interest rates, the budget deficit, trade and so on — have anything to do with what caused the market to fall," he said. "It's a classic case of a market overreaching itself and going through a correction."

M. R. WHITEHEAD believes that President Ronald Reagan was right in assuring the nation that the economy is fundamentally sound. Many economists and business people agree. They point to the U.S. economy's five-year expansion, the low unemployment rate, the harmony between sales and inventories — and, just Thursday, the cut in the prime rate. But a growing number of economists are worrying that the market has shaken both consumers and business and will affect their spending.

"I'm confused," said George Perry of the Brookings Institution. "The direct impact of stock market losses on consumption and investment, which he thought relatively small at about \$30 billion — that about a more negative threat to the economy's growth and stability: a widespread choking up, bordering on panic. 'I bought Tuesday,' he said, 'and sold today.'"

Mr. Perry said that in so volatile a market, with heavy trading and orders backed up, it took hours for him to find out at what prices he had bought or sold. So he was trading instead in financial futures, where he could get virtually immediate execution.

It's not just economists who believe that the wealth effect on consumption — estimated by Data Resources Inc. at just 2 percent to 3 percent of the loss of stock equity — of this wild market may be worse than usual. Many ordinary citizens think so, too. Doris Simon, a 63-year-old antique dealer in Mamaroneck, New York, commented: "I just know we wouldn't have bought the summer house in Maine we got last summer if we had to buy it now."

Many consumers feel that the turmoil will chill their own buying plans. They consider it risky to buy the stocks of corporations whose earnings will be hurt if other consumers do what they expect to do themselves.

The news has never been followed so intensely as now, and much of it is worrisome. The flare-up in the Gulf, where an

See SCENE, Page 13

In the News: A Rock, a Shepherd

Nicholas Brady: To Lead Inquiry on Stock gyrations

By Susan F. Rasky  
New York Times Service



WASHINGTON — Nicholas F. Brady once described himself as the kind of man who likes to prove the experts wrong. That was in 1982, after he obtained \$8 million in financing to start a newspaper-recycling company based on an ink-cleaning process that experts said would never work. The successful company was eventually sold to Media General Inc., and Mr. Brady now sits on Media General's board.

He is more widely known as a blue-chip member of the financial establishment, the chairman and managing director of Dillon, Read & Co., the Wall Street investment firm that he joined in 1954. Mr. Brady's family has for years owned a major stake in Dillon, Read, which was purchased last year by Travelers Corp. for \$157.5 million.

Mr. Brady, 57, may have a chance to prove the experts wrong again as he takes on the chairmanship of the three-member task force appointed Thursday night by President Ronald Reagan. The task force's mission will be to investigate the stock market gyrations of the last week and what can be done about them. So far, the experts have not reached a consensus on those problems.

A longtime friend of Vice President George Bush, Mr. Brady was appointed to the Senate in 1982 to fill the final six months of the term of Harrison A. Williams Jr., a New Jersey Democrat who was convicted in the Abscam political corruption case. Mr. Brady was regarded in the Senate as hard-working, honest and measured.

In the financial world, which he will now be studying, Mr. Brady

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Robert Prechter: Guru Sees Market Going Far Higher

By Albert Scardino  
New York Times Service

NEW YORK — For the last eight years, Robert R. Prechter has worked as a shepherd in the field of investment counseling, offering to lead an ever-growing flock toward the greenest of pastures, a Dow Jones industrial average of 3,686.

To get there would take some zig-zagging through the wilderness, he has told his 16,000 followers and anyone else who would listen, but they would arrive in the promised land in 1988.

In the nervous market of 1987, Mr. Prechter, 38, has emerged as both prophet and deity, an adviser whose advice reaches so many investors that he tends to pull the market the way he has predicted it will move. Many analysts blame a self-recommendation issued to his clients Wednesday night for touching off another wave of panic in the market Thursday morning, driving prices down 7 percent.

By the end of the day the market had recovered nearly halfway, but only after Mr. Prechter denied having warned of a possible collapse of the Dow to 1,300.

For the public, Mr. Prechter is tempering his comments. "This is a time for statesmen," he said Thursday from his office at his home on Lake Lanier in the city of Gainesville, in northern Georgia. He said the market would still go much higher before the end of next year.

On Oct. 5, with the market above 2,600, he warned his subscribers to sell out. The next day the Dow industrials fell 91 points, a record at that time.

Mr. Prechter's words carry such power because he appears to have called the broad outlines of the bull market right since 1982, although he has made some bad calls on short-term moves. Analysts who read market newsletters have consistently rated his forecasts among the most accurate.

But as recently as early September, he was still telling his subscribers to buy stocks.

Mr. Prechter bases his recommendations on what he sees as a

See PRECHTER, Page 11



U.S., U.K. Show Gains In Key Economic Data

U.S. GNP Up At 3.8% Rate In 3d Quarter

Compiled by Our Staff From Dispatches

WASHINGTON — The U.S. economy grew at a robust annual rate of 3.8 percent in the July-September quarter, up from 2.5 percent in the second quarter, the Commerce Department said on Friday.

The preliminary growth figure in the gross national product was much higher than average market expectations of a 2.7 percent increase, but does not include the stock market collapse this week that many economists say will reduce future economic growth.

The department said that GNP, the broadest measure of a nation's economic output, was bolstered in the third quarter by a big upsurge in consumer spending and the steepest rise in business investment in more than three years.

The increase in growth was accompanied by a drop in the rate of inflation. A measure of prices tied to the GNP expanded at an annual rate of 2.7 percent in the third quarter, down from a 4.1 percent rate of increase in the spring.

The good news on economic growth and inflation was tempered, however, by the fact that the country's trade deficit, as measured by the GNP, deteriorated by \$5.2 billion in the third quarter because of a huge jump in oil imports. The trade deficit in inflation-adjusted terms had shown improvement for three consecutive quarters before the spring setback.

The Commerce Department said that personal spending increased \$29.5 billion in the third quarter compared with an increase of \$11.6 billion in the second quarter. Purchases of durable goods soared to \$17.9 billion compared with an increase of \$9.5 billion in the previous quarter, with most of the increase in motor vehicle purchases.

Inflation-adjusted business fixed investment increased \$23.9 billion in the quarter after rising \$11.9 billion in the second quarter. The 23.7 percent rise was the best quarterly increase since the final three months of 1983, when investment rose 32.5 percent.

Despite the strong quarterly per-

Consumer Prices In U.S. Rose Just 0.2% Last Month

Compiled by Our Staff From Dispatches

WASHINGTON — U.S. consumer prices rose by a small, less-than-expected 0.2 percent in September, as falling energy prices nearly offset increases in food and clothing prices, the Labor Department said Friday.

Many economists had expected a rise of 0.4 percent in the seasonally adjusted Consumer Price Index, which jumped 0.5 percent in August.

For the first nine months, consumer prices advanced at a seasonally adjusted annual rate of 4.8 percent. They rose by 1.1 percent for all of 1986.

Lower fuel oil, electricity and gasoline prices pushed down the department's energy index by 0.5 percent in September, compared with a 1.7 percent jump in August.

Food costs jumped 0.5 percent, apparel costs 1.1 percent. Transportation prices rose 0.2 percent, medical care 0.5 percent and entertainment 0.5 percent. Housing costs, which had jumped 0.6 percent in August, held steady.

(Reuters, UPI)

U.K. Rate Cut Followed Good Trade Figure

Compiled by Our Staff From Dispatches

LONDON — Major British banks cut their base lending rate Friday by half a percentage point to 9.5 percent, after the government announced better-than-expected trade figures for September.

Analysts said that the trade report helped support the pound. This, in turn, gave the government some leeway to push down interest rates, which have been propping up the currency.

The announcements steadied stock prices after they had fallen to their lowest point since January, and bolstered prices of government bonds and sterling.

The banks cut their base rate after a signal earlier from the Bank of England.

The central bank lowered its money market dealing rates by one-half a point to 9.5 percent as a response to general market conditions, a spokesman said. He did not elaborate.

Later, the chancellor of the Exchequer, Nigel Lawson, said that the government had urged the banks to cut their base rates.

Some analysts suggested that the cut may have been part of an international effort to boost stock prices and stave off a recession.

The Department of Trade and Industry said that the current-account deficit, the broadest measure of trade performance, narrowed to \$55 million (\$90.6 million) in September, from \$92.9 million in August.

The merchandise trade deficit was \$655 million, seasonally adjusted, in September, against \$1.5 billion in August.

Those figures were much better than many analysts had forecasted. Economists had predicted that the shortfall on current account would be \$200 million to \$400 million, and that the merchandise trade deficit would be \$800 million to \$1 billion.

The current account includes trade in nonmerchandise items such as banking services and income from investments abroad.

The trade performance got a lift from a 6.5 percent increase in ex-

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Currency Rates

Currency	Oct. 23	Oct. 22
Australian dollar	1.5300	1.5250
Canadian dollar	0.7500	0.7450
Deutsche mark	2.3600	2.3500
French franc	6.5500	6.5400
Italian lira	1,375.00	1,370.00
Japanese yen	163.00	162.00
Netherlands guilder	3.6000	3.5900
New Zealand dollar	0.4800	0.4750
Swedish krona	4.6000	4.5900
Swiss franc	1.4800	1.4750
British pound	1.5300	1.5250

Currency	Oct. 23	Oct. 22
Australian dollar	1.5300	1.5250
Canadian dollar	0.7500	0.7450
Deutsche mark	2.3600	2.3500
French franc	6.5500	6.5400
Italian lira	1,375.00	1,370.00
Japanese yen	163.00	162.00
Netherlands guilder	3.6000	3.5900
New Zealand dollar	0.4800	0.4750
Swedish krona	4.6000	4.5900
Swiss franc	1.4800	1.4750
British pound	1.5300	1.5250

Currency	Oct. 23	Oct. 22
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Swedish krona	4.6000	4.5900
Swiss franc	1.4800	1.4750
British pound	1.5300	1.5250

Interest Rates

Instrument	Rate
3-month T-bill	7.50%
6-month T-bill	7.75%
1-year T-bill	8.00%
3-month Treasury note	8.25%
6-month Treasury note	8.50%
1-year Treasury note	8.75%

Instrument	Rate
3-month T-bill	7.50%
6-month T-bill	7.75%
1-year T-bill	8.00%
3-month Treasury note	8.25%
6-month Treasury note	8.50%
1-year Treasury note	8.75%

Instrument	Rate
3-month T-bill	7.50%
6-month T-bill	7.75%
1-year T-bill	8.00%
3-month Treasury note	8.25%
6-month Treasury note	8.50%
1-year Treasury note	8.75%

Instrument	Rate
3-month T-bill	7.50%
6-month T-bill	7.75%
1-year T-bill	8.00%
3-month Treasury note	8.25%
6-month Treasury note	8.50%
1-year Treasury note	8.75%

Instrument	Rate
3-month T-bill	7.50%
6-month T-bill	7.75%
1-year T-bill	8.00%
3-month Treasury note	8.25%
6-month Treasury note	8.50%
1-year Treasury note	8.75%

Instrument	Rate
3-month T-bill	7.50%
6-month T-bill	7.75%
1-year T-bill	8.00%
3-month Treasury note	8.25%
6-month Treasury note	8.50%
1-year Treasury note	8.75%

After the Fall: Some Winners, Some Big Losers and a Lot of Belt-Tightening

By Barry James  
International Herald Tribune

While fortunes were lost in Monday's stock plunge and the debt-financed lifestyle of some yuppies may have come to an end, not everyone got burned, analysts say.

Although the decline in stock markets knocked about \$500 billion off the price of shares in a single day in the United States alone, some of the wealthy, or merely lucky, managed to hang onto liquid assets.

Among the big losers was Harvard University, which reportedly lost a quarter of its endowment of \$4 billion on Monday. "Let's just say it wasn't a great day for the Crimson," as the university is known, a spokesman said.

And among pension funds, California's Public Employees Retirement System lost a quarter of its \$20 billion portfolio.

By contrast, Sotheby's, the international auctioneer, held its most successful jewelry sale ever this week. "There's still an awful lot of money sloshing around," a spokesman said.

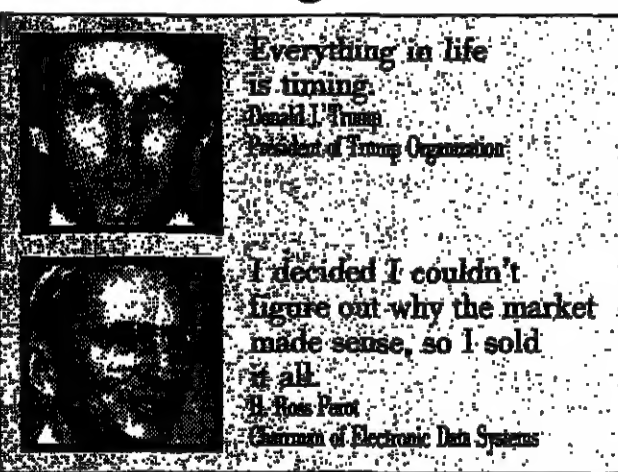
The sale, in New York on Tuesday, raised \$26 million, including a short-lived record of \$3.8 million for a diamond. On Wednesday, Sotheby's main rival, Christie's, sold a diamond for \$6.8 million, raising \$19 million at its auction.

A Sotheby's spokesman said the firm was not worried about the future because its clients are discerning people "who deal as individuals, not computers." Sotheby's and Christie's have another reason not to worry — objects d'art, rugs and jewels, like gold, are traditional hedges against inflation, and many investors fear that inflationary times are probably here.

"Investors who pulled out of the market before the sell-off are putting it into hard assets again," said Brian Hazen, a real estate broker in Aspen, Colorado.

"We are not concerned," said Trevor Kent, vice president of the National Association of Estate Agents in Britain. House prices have increased by 25 percent in London in the past year, he said, "and we've seen no indication that demand is likely to dampen."

"Even if a broker is short of cash," he said, "he's making so much money on commissions that



Everything in life is timing. I decided I couldn't figure out why the market made sense, so I sold it all.

Richard L. Gelb, chairman of Bristol-Myers Co., said, "Current market conditions have created an excellent opportunity to strengthen the company through a purchase of a portion of its own shares."

Bristol-Myers said it would buy up to 25 million of its own shares.

A spokesman for PepsiCo said the company would repurchase stock because "it gives us the flexibility to take advantage of the attractive investment opportunities in the market."

Kenneth S. Hackel, president of Systematic Financial Management Inc. in Fort Lee, New Jersey, said a company buying back more than 5 percent of its outstanding shares could expect to see an average price run-up of 3 percent.

He said, however, that although many of the announcements make sense from a cash-flow standpoint, others do not.

"Corporate managers historically have no claim to extraordinary economic foresight and base their decisions on their most recent operating history," Mr. Hackel said. "Thus if the recent stock collapse turns out to be the precursor of a recession, the timing will have been very poor."

A company's earnings growth rate, analysts said, can to a certain extent be manipulated through a buyback, since the same amount of earnings is spread over fewer shares.

Stock buybacks are also important to a company if it is considering a debt financing later. The success of such financing can depend, to some extent, on the performance of the stock.

stockbrokerage firm of Phillips & Drew in London, said sales of some bigger items may be hurt by the market's decline, but "overall the effects on consumer spending are likely to be small."

He said a 20 percent decline in share prices would remove only about 0.1 percent from total consumer spending in Britain, and about 0.75 percent in the United States, where share ownership is much more widespread.

The collapse also gave much of corporate America a chance to buy back its own stock at what seemed like bargain prices, which is seen as a means of boosting staff morale and discouraging at least temporarily — corporate raiders.

Another possible "silver lining," according to a specialist in international economy at the Organization for Economic Cooperation and Development in Paris, is that the plunge in share prices will force corrective measures in Western economies that would have come sooner or later by perhaps even harder methods.

In the United States, he said, "The yuppie lifestyle will be contracting. This will mean less concentration on imports," particularly from West Germany and Japan, which "will have to readjust to promoting their domestic growth."

He said a stock market crisis was a less painful way of carrying out such a readjustment than a protectionist trade bill in Congress.

Perhaps the real winners were those who managed to ride the stock exchange up when the good times lasted and get their money out before the fall.

"Everything in life is timing," said Donald Trump, the U.S. real estate entrepreneur, who says he sold most of his \$500 million stock portfolio about six weeks ago.

H. Ross Perot, the Texas-based computer billionaire also was happily counting the losses he never made. "I decided I couldn't figure out why the market made sense, so I sold it all," he said, and put the proceeds into short-term securities.

Louis L. Goldstein, comptroller for Maryland, shifted \$4 billion of state reserves from the stock exchange to the bond market and as a result saved taxpayers \$1.3 billion. "We did what any prudent investor should have done," he said.

(AP, Reuters)

U.S. Buybacks Grow, but Some Stocks Still Fall

Compiled by Our Staff From Dispatches  
NEW YORK — Procter & Gamble Co. became on Friday the latest big U.S. company to announce a stock repurchase plan, while Dow Chemical Co. said that it would bring forward a previously announced buyback program.

Meanwhile, many of the companies whose stock rose sharply after they announced buybacks earlier this week suffered reversals on Thursday as the market turned down.

E.F. Hutton Group, for example, whose shares rose \$1.875 on Wednesday, fell \$1 on Thursday. Dayton-Hudson Corp., a diversified retailer, which rose \$2 a share, fell back \$1.75, and Minnesota Mining & Manufacturing Co., which jumped \$3.50 a share, fell \$1.

Since the Dow Jones industrial average fell 508 points on Monday, more than 100 companies have announced stock repurchase plans. With the broad decline in stock prices, their own stocks became bargains.

Analysts said that stock buybacks give a company greater earnings leverage and help provide a takeover, in part by pushing up a company's stock price. They also help restore investor confidence and raise employees' morale.

Buybacks can also be a signal of an upcoming move by companies to take their shares private, the analysts said.

In the latest announcements, Procter said that its board had authorized the purchase of up to 10 million shares of common stock from time to time in the open market or in private transactions.

The company said that it had 169.2 million common shares outstanding on Sept. 30.

Dow Chemical said that it would start its stock repurchase program, originally planned for 1988, during this year.

The company, which has about 192 million shares outstanding, said it would buy 2 million shares. It has acquired nearly 16.3 million shares through seven similar programs since August 1983.

Among the companies announcing buybacks on Thursday were PepsiCo Inc., which said it would purchase up to 15 million of its outstanding shares, or about 6 percent; Golden Nugget Inc. and Delta Air Lines Inc., up to 5 million each; and James River Corp., up to 4 million.

Others that have announced buybacks this week include USX Corp., Citicorp, Honeywell Inc., Burlington Northern Inc., Merrill Lynch & Co. and Shearson Lehman Bros.

Alan Tiunin, an analyst at Jupp & Lamont Securities Co., said, "The smart ones are buying quickly at prevailing market prices."

Analysts said there were compelling reasons for corporate managers to invest in their own stock beside the lower prices.

Corporate decision makers, they said, have buying power and are evaluating alternative uses for cash. In many cases they prefer their own stock to the uncertainty of investing in new projects.

A buyback program has a stabilizing effect on the stock market because it is generally a long-term process that escalates in depressed market conditions, such as exist today. Buybacks have, in effect, become part of corporate America's long-term strategy.

Jardine Terminates Offer For Stake in Bear Stearns

Compiled by Our Staff From Dispatches  
NEW YORK — Jardine Strategic Holdings Ltd. of Hong Kong said Friday that it was terminating its \$393 million offer to buy a 20 percent stake in Bear Stearns Cos., one of the biggest investment firms in the United States.

Jardine cited "recent developments" as the reason. It did not elaborate, but since the agreement was announced Sept. 30 the falling stock market has wiped out nearly half of the value of Bear Stearns's common stock.

Bear Stearns, which traded at \$20 on Sept. 30, was at \$11.75 early Friday on the New York Stock Exchange, down from \$13 on Thursday and \$18 a week earlier.

Jardine had offered to pay \$23 a share for about 16.3 million shares of common stock, and \$28.72 a share for 70,000 shares of cumulative convertible preferred stock. The offer began Oct. 6 and was to expire Nov. 3.

Bear Stearns issued a statement saying it was exploring its legal options, and contended that its capital and operations had held up well during the market's collapse.

"We are sorry that Jardine apparently does not have the same confidence in our industry as we do," the statement from the executive committee said.

"Notwithstanding recent developments in the financial markets, Bear Stearns's financial position is about the same" as it was "when Jardine agreed to make its offer," said Alan Greenberg, Bear Stearns's chairman and chief executive officer.

He said the firm's capital at that time was in excess of \$1.35 billion. Bear Stearns said that, in some ways, it was stronger now than before the market crash, citing the addition to its specialist operations on the American Stock Exchange, the hiring of a number of professionals in the past two weeks and the lessening of some areas of competition.



NYSE Most Actives				
Vol.	High	Low	Last	Chg.
AT&T	4995	49 1/2	49 1/2	+1/4
IBM	3718	157 1/2	157 1/2	+1/4
GE	2347	28 1/2	28 1/2	+1/4
Intel	2347	40 1/2	40 1/2	+1/4
McDonald's	2347	40 1/2	40 1/2	+1/4
Merck	2347	40 1/2	40 1/2	+1/4
Novartis	2347	40 1/2	40 1/2	+1/4
Paycom	2347	40 1/2	40 1/2	+1/4
Rockwell	2347	40 1/2	40 1/2	+1/4
Union Pacific	2347	40 1/2	40 1/2	+1/4
Verizon	2347	40 1/2	40 1/2	+1/4
Wells Fargo	2347	40 1/2	40 1/2	+1/4
WorldCom	2347	40 1/2	40 1/2	+1/4
Xerox	2347	40 1/2	40 1/2	+1/4
Yale	2347	40 1/2	40 1/2	+1/4

Market Sales	
NYSE 4 p.m. volume	245,666,000
NYSE 4 p.m. close	245,666,000
NYSE 4 p.m. volume	245,666,000
NYSE 4 p.m. close	245,666,000
NYSE 4 p.m. volume	245,666,000
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NYSE 4 p.m. volume	245,666,000
NYSE 4 p.m. close	245,666,000

NYSE Index	
High	140.32
Low	139.24
Close	139.24
Chg.	+0.33
Composite	139.24
Industries	139.24
Utilities	139.24
Finance	139.24

Friday's

# NYSE

Closing

Via The Associated Press

AMEX Diary	
Class	Prev.
Advanced	177
Declined	177
Unchanged	177
Total Issues	177
New Issues	177
SP 500	177

NASDAQ Index	
Class	Prev.
Advanced	177
Declined	177
Unchanged	177
Total Issues	177
New Issues	177
SP 500	177

AMEX Most Actives	
Vol.	High
Wells	177
Bank	177
Merck	177
Novartis	177
Paycom	177
Rockwell	177
Union Pacific	177
Verizon	177
Wells Fargo	177
WorldCom	177
Xerox	177
Yale	177

Dow Jones Bond Averages	
Class	Prev.
Advanced	177
Declined	177
Unchanged	177
Total Issues	177
New Issues	177
SP 500	177

NYSE Diary	
Class	Prev.
Advanced	177
Declined	177
Unchanged	177
Total Issues	177
New Issues	177
SP 500	177

Odd-Lot Trading in N.Y.	
Class	Prev.
Advanced	177
Declined	177
Unchanged	177
Total Issues	177
New Issues	177
SP 500	177

Dow Jones Averages	
Class	Prev.
Advanced	177
Declined	177
Unchanged	177
Total Issues	177
New Issues	177
SP 500	177

Standard & Poor's Index	
Class	Prev.
Advanced	177
Declined	177
Unchanged	177
Total Issues	177
New Issues	177
SP 500	177

NASDAQ Diary	
Class	Prev.
Advanced	177
Declined	177
Unchanged	177
Total Issues	177
New Issues	177
SP 500	177

AMEX Stock Index	
Class	Prev.
Advanced	177
Declined	177
Unchanged	177
Total Issues	177
New Issues	177
SP 500	177

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

## MARKETS: Dow Up 0.33 to End Trying Week

(Continued from Page 1)

Friday had shifted from trading to clearing up paperwork, analysts said.

"The market did better than people believed it would after Reagan's speech last night," said Ernie Rudner, manager of block trading at Mabon, Nugent & Co.

President Ronald Reagan used his third news conference of the year on Thursday night to caution against panic on Wall Street. He agreed to meet with congressional leaders on cutting the budget deficit, saying he would put "everything on the table," including their proposals for new taxes. Mr. Reagan excluded only the Social Security system from any policy changes.

But Mr. Reagan's intentions on whether he would accept a tax increase remained unclear on Friday as he repeated his denunciation of Congress in a speech at the Labor Department and recommended freezing domestic spending at last year's level.

Mr. Reagan said his purpose in agreeing to meet with congressional leaders is "to send a clear signal that spending must be reined in. It's all about our economy needs. That's all America needs."

Mr. Rudner said that if Mr. Reagan had been less ambiguous on whether he would agree to a tax increase, he could have sent the market up 300 points.

"Everyone was not overly impressed with the president's speech last night, to say the least," agreed Jack Baker, a trader at Shearson Lehman Brothers.

The government said Friday that the nation's real gross national product, its measure of goods and services, grew at a strong 3.8 percent rate in the third quarter. Consumer prices rose only 0.2 percent in September.

Analysts said investors noted the better-than-expected economic reports Friday but still were assessing whether Mr. Reagan will act to protect economic growth by reducing the twin deficits.

Volatility declined significantly on Friday compared with the previous four sessions, but was still substantial. Within one hour in late morning trading, the Dow still went from a loss of about 30 points to a gain of the same magnitude before closing nearly unchanged.

Dealers blamed the turnaround from the highs on the current trend of stock and bond prices to move in opposite directions. Investors fleeing the stock markets have been pushing money into U.S. government bonds, thereby boosting their prices and knocking down their yields. But late in the morning, when stocks gained, bond prices fell and their yields rose.

Traders said the resultant fear of higher interest rates caused nervous investors to sell shares. The rise in interest rates was a primary factor in the stock market's collapse on Monday.

Navistar was the most active NYSE-listed issue, falling 1/2 to 4 1/2. AT&T followed, rising 1/4 to 28 1/2.

Santa Fe Southern Pacific was third, rising 3/4 to 54 1/4. The stock has been the subject of takeover speculation.

(UPI, AP)

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AMEX Stock Index	
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New Issues	177
SP 500	177

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KaiserTech

Is in Default

OAKLAND, Calif. — KaiserTech, a technology company, has filed for Chapter 11 protection in federal court. The company, which was founded in 1984, had been struggling for some time. It had filed for protection in 1986, but emerged from bankruptcy in 1987. However, it has now filed for protection again, this time in federal court. The company's assets are estimated to be worth \$10 million. The company's liabilities are estimated to be worth \$20 million. The company's assets are estimated to be worth \$10 million. The company's liabilities are estimated to be worth \$20 million.



















## SPORTS

## NFL's Regulars Are Back

Bears' McMahon, Shoulder Healed, Joins Them

By Michael Janofsky  
New York Times Service

NEW YORK — Players came and went during the National Football League strike, and some teams weathered the four-week interruption better than others. San Diego, San Francisco and Washington won all three games; Kansas City, Philadelphia, Minnesota and the New York Giants lost all three.

Among the constants, besides ownership solidarity and network support, was the play of the Chicago Bears, who managed to move to a 4-1 record without the quarterback who may be better known for selling motorcycles and t-shirts than leading the team to a victory in the Super Bowl two seasons ago.

But when the NFL's regulars resume their careers Sunday, so will Jim McMahon, fresh off his doctor's most optimistic report. The injured right shoulder that kept him sidelined for all but six games last season has healed enough for him to return, and he expects to play Sunday in Tampa, Florida, where the Bears face the Buccaneers (3-2) for the second time since the season began.

"As far as the strength, it's pretty much the same," McMahon said the other day in Lake Forest, Illinois, where the Bears train. "It was just a question of when I'd be back. I've thrown for three or four days now without any soreness, and that was the big problem. I feel ready to play right now."

It is unlikely he will start. Coach Mike Ditka has indicated that Mike Tomczak will open the game and events would dictate whether McMahon comes in.

The shoulder has been a problem throughout McMahon's six seasons with the Bears. Last season, he was in and out of the lineup through 12 weeks before Charles Martin of the Green Bay Packers slammed him to the turf in a 12-10 Chicago victory, effectively ending his season. Two weeks later, he had surgery. Since then, he has undergone rigorous rehabilitation. On Monday, Dr. Frank Jobe, who had performed the surgery, cleared McMahon to return.

**NATIONAL CONFERENCE**  
St. Louis Cardinals (2-3) at New York Giants (0-5): The Giants are not quite mathematically out of the playoffs. Psychologically, it's a different story, and the Cardinals are one of the teams capable of an upset now and again. Unlike last season, when the Giants beat them twice, 12-6 and 27-7, the Cardinals have scored at least three touchdowns in every game.

## NFL PREVIEW

Dallas Cowboys (3-2) at Philadelphia Eagles (1-4): Both teams were 1-1 before the strike. The Cowboys would seem to have an advantage in that Danny White and Tony Dorsett have played. But they were not enough to overcome the Redskins, a team without veterans, last Monday night. Losing to Washington and beating New Orleans, the Eagles were fairly formless. The Cowboys will probably win.

Green Bay Packers (2-2-1) at Detroit Lions (1-4): Neither team won before the strike, so this appears even. If either has an edge, it's probably the Packers, with a stronger defense and the edge in the Super Bowl.

Seattle Seahawks (3-2) at Los Angeles Raiders (3-2): The Raiders, 2-0 pre-strike, were the class team of the conference, having given up just a touchdown. Now, they may be even better with Bo Jackson available at running back. The Seahawks were 1-1, with a bad loss to Denver.

New England Patriots (3-2) at Indianapolis Colts (2-3): Colts Coach Ron Meyer coached the Patriots for two and a half seasons. That should help him understand why the Colts will lose.

**INTERCONFERENCE**  
New York Jets (3-2) at Washington Redskins (4-1): Only a 21-20 loss to the Falcons before the strike has kept the Redskins from a perfect record, making them a scary proposition for the Jets, who were 2-0 before the strike. What's more, the Redskins coaches were so impressed with their replacement team that they kept 17 players.

Atlanta Falcons (2-3) at Houston Oilers (3-2): This is the first meeting of the season between two teams that have threatened to move to Jacksonville, Florida. The Oilers were a 2-0 before the strike; the Falcons, 1-1.

Denver Broncos (3-1-1) at Minnesota Vikings (2-3): If the World Series goes to a seventh game, this game will be played Monday night, as if that should make a difference. Despite the Broncos' 1-0-1 start, compared with 2-0 for the Vikings, the Broncos resemble their Super Bowl selves far more than the Giants do.

**MONDAY NIGHT**  
Los Angeles Rams (1-4) at Cleveland Browns (3-2): The Rams haven't won and don't figure to, here, not with Eric Dickerson complaining (again) that he's underpaid and the offense fairly sluggish before the strike.

this game will see two of the biggest money-losers of the strike in Dan Marino and Jim Kelly, the quarterbacks.

Cincinnati Bengals (2-3) at Pittsburgh Steelers (3-2): Both were 1-1 before the strike and seem close in ability. Of the two, however, the Steelers gave more indications of better things to come, their quarterback, Mark Malone, notwithstanding. By virtue of a 30-17 victory over the 49ers on opening day, the Steelers showed what's possible.

Kansas City Chiefs (1-4) at San Diego Chargers (4-1): The records are misleading because each was 1-1 before the strike and the Chiefs' victory was over the Chargers in week one, 20-13. The Chiefs have won two of the last three games in San Diego.

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New England Patriots (3-2) at Indianapolis Colts (2-3): Colts Coach Ron Meyer coached the Patriots for two and a half seasons. That should help him understand why the Colts will lose.

Atlanta Falcons (2-3) at Houston Oilers (3-2): This is the first meeting of the season between two teams that have threatened to move to Jacksonville, Florida. The Oilers were a 2-0 before the strike; the Falcons, 1-1.

Denver Broncos (3-1-1) at Minnesota Vikings (2-3): If the World Series goes to a seventh game, this game will be played Monday night, as if that should make a difference. Despite the Broncos' 1-0-1 start, compared with 2-0 for the Vikings, the Broncos resemble their Super Bowl selves far more than the Giants do.

**MONDAY NIGHT**  
Los Angeles Rams (1-4) at Cleveland Browns (3-2): The Rams haven't won and don't figure to, here, not with Eric Dickerson complaining (again) that he's underpaid and the offense fairly sluggish before the strike.

"Therefore, we are going to wait for the presidential elections in South Korea." The report said that if a "democratic force" came to power in the December elections, "the situation will be changed."

On Jan. 17, national Olympic committees must respond to invitations to compete in the Games.

After four rounds of talks in Lausanne, Switzerland, between Seoul and Pyongyang, the IOC proposed in July to let North Korea host archery, table tennis, women's volleyball, men's road cycling and preliminary soccer events.

## North Korea Sees 'Gloomy' Olympic Prospects

The Associated Press

TOKYO — North Korea said today that the prospect of competing with South Korea to host the 1988 Olympics was "gloomy" and that the International Olympic Committee to postpone bilateral talks until after South Korea's presidential elections in December.

The Korean Central News Agency, monitored in Tokyo, said the decision was announced by Kim Il-Sun, the North Korean Olympic Committee chairman.

The report repeated North Korea's demands for a sharing of seats in the Summer Games and a solution of disputes over the title

of the games, the composition of the organizing committee and the opening and closing ceremonies.

North Korea said it had made concessions in recent talks, proposing that it take five full sports and one partial event to break the deadlock. It said South Korea rejected the proposal, saying co-hosting the Games was not up for discussion.

As a result, the report said, North Korea's Olympic Committee "arrived at the conclusion that as long as the present military dictatorship regime exists in South Korea, the prospect of the 24th Olympic Games looks gloomy and the co-hosting can never be realized."

Daggett broke the tibia and fibula bones in his lower left leg on his landing from a piked Chervo vault. The crack was heard throughout the Abov Sports Center.

The 25-year-old Daggett was a member of the gold-medal winning U.S. team from 1984 and was the top U.S. gymnast in 18th place after the compulsory routines.

[Daggett will be hospitalized for at least 10 days, a U.S. team official said Friday, according to a United Press International report from Rotterdam. In addition to the two fractured bones, doctors at Dijkzigt hospital found a rupture of a major artery. Daggett was reported in stable condition after surgery.

[Thursday night's session also ended badly for China's Olympic bronze medalist, Li Ning, who injured his ankle after he lost his balance during a vault.]

But leg injuries to a teammate and to the top American, Tim Daggett, marred the team finals on Thursday night.

The Soviets made a shambles of the team competition, winning easily with 589.75 points out of 600. It was their second straight and fourth out of last five team crowns for the superb Soviet gymnasts.

Far back in second place was China at 583.35 with East Germany in third, at 582.800.

Bilozerech scored 118.45 points to take the lead in the men's individual all-around race. He was the 1983 world champion at 16 but missed the chance to defend his title when he broke his leg in a car accident a month before the world championships in 1985.

Thursday, he scored no lower than a 9.85 in any of the six apparatus. His top routine was a steady parallel bar performance with rock-solid handstands and a 9.95 from the judges.

Bilozerech was to have a chance to gain back his individual title on Sunday night in the all-around final. The top 36 individuals, limited to three per team, advance.

In second was Valeri Ljytkin, the Soviet and European champion, with 118.05 points. But he ruined his right leg during the vault, the fourth of six events.

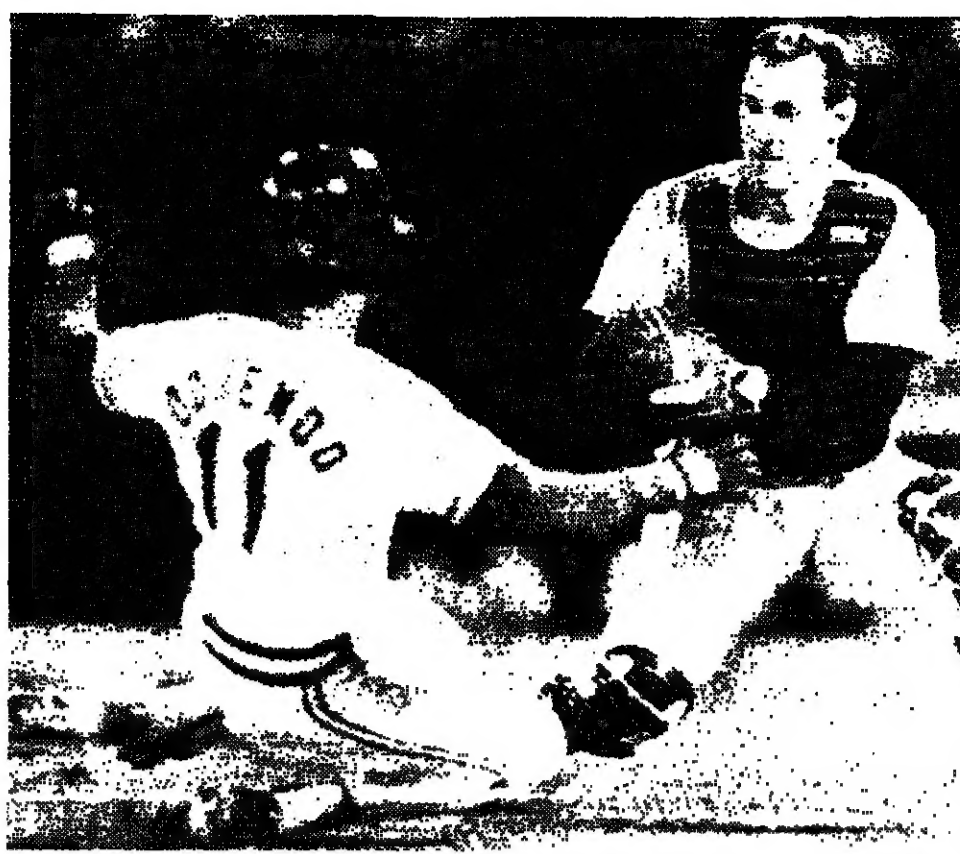
After that he did a parallel bar exercise, earning a 9.95.

He still had to do a high bar dismount, which he ended with a triple somersault dismount that put him in great pain. He was carried off by his coach, Leonid Arkav.

Tim Daggett crying in pain after breaking his leg at the world gymnastics championships.

Local Coverage/The Associated Press

## Cardinals Scratch Out 3d Victory, Need One More



Minnesota catcher Tim Lardner preparing to tag Jose Oquendo after a squeeze play failed in the fifth inning of the fifth game. But St. Louis scored three in the sixth and won, 4-2.

By Joseph Durso  
New York Times Service

ST. LOUIS — Danny Cox, the big-game pitcher for the St. Louis Cardinals, pitched an absolutely big game Thursday night as the Cardinals swept their third straight from the Minnesota Twins and moved within one victory of winning the 84th World Series.

Cox stopped the Twins on five singles into the eighth inning, outdueling Bert Blyleven, then got relief from Ken Dayley and Todd Worrell as the Cardinals won, 4-2, and took the lead in the series, three games to two. And they did all their winning on three rousing evenings at home after losing the first two games in the Twins' noisy rooftop yard in Minneapolis.

The series returns to the Metrodome on Saturday.

The Cardinals did it Thursday with a dashy mix of base-stealing, clutch hitting, and instant stardom. Vince Coleman stole two bases for a total of six in the series. And Curt Ford, a part-time outfielder, became the newest instant star when he singled home two runs in the sixth inning.

"Cox might come back and start the seventh game," said Whitey Herzog, the Cardinals manager.

With one down in the home fifth, Jose Oquendo lined a single to left-center, Tony Pena playing hit-and-run, singled to right on a 2-and-1 pitch and Oquendo went to third.

After two strikes, Cox tried a suicide squeeze bunt as Oquendo raced for home. But the Twins sensed what was coming and Blyleven pitched up and out so that his catcher could handle the ball. Cox groped for it with his back to the runner, but struck out. Oquendo, a dead duck between third and home, was tagged out to complete a double play.

One inning later, the Cardinals got the table-setters in action at the top of their batting order.

Coleman, who stole 109 bases this year, opened the home sixth with a slam behind first base. Herbek bobbled the ball and, from his knees, lobbed it to Blyleven at the bag. But Coleman beat the throw and was safe with a single.

Ozzie Smith then shoved a perfect bunt up the third-base line, where Blyleven reached for the ball barehanded and fumbled it.

Tommy Herr fled out to left field for the first out. But, on the second pitch to Dan Driessen, the spry infielder pulled a double steal. Coleman taking third unchallenged and Smith making it to second. Blyleven walked Driessen intentionally, and the bases were loaded.

Willie McGee struck out, and then came Ford. Blyleven went to a 2-and-1 count, and then Ford lined a single to center. Coleman and Smith flashed home and the crowd of 55,347 rocked Busch Stadium.

Oquendo followed with a grounder to shortstop, but Greg Gagne booted it. Driessen crossed, and the Cardinals' lead was 3-0.

St. Louis got an insurance run in the seventh when Coleman walked, advanced on a balk by reliever Keith Atherton, stole third and scored on Smith's infield hit. The Twins scored in the eighth inning on a two-run triple by Garet.

## Whozzat? A Writer Ponders an Anonymous Series

Randy Bush, Curt Ford and 400 Infield Hits Are Somehow Less Than Thrilling

Washington Post Service

ST. LOUIS — Sitting here, struggling to select the right word, the precise word to describe the essence, the soul of this World Series, the best I can come up with so far is: "Who?"

Curt Ford. Who? Tom Lawless. Who? Dan Gladden. Who? Randy Bush. Who?

When I think of a World Series, the kind of names that come to my mind are Catfish, Yogi, Brooks and Reggie. One-name guys. They're obviously the kind that come to Reggie's mind, too, because the other night he surveyed the Twins and Cardinals and announced: "There are no marquee players in this World Series. When I make out my lineup card, I have to put first names down to remember who these guys are. I'm still trying to find out who Tom Lawless is."

Even now, after that Stagger-Lee Stroll around the bases, there's no guarantee he knows. I mean it's not like William Manchester's working on the biography.

Of course this series has produced improbable heroes. Who would be considered probable on these teams? If they built a monument to this World Series it would be the tomb of the unknown soldier.

The Minnesota Twins are a team best known for where they play their home games, not who plays them. Their manager, Tom Kelly, as unobtrusive as drapery, tells reporters he's boring. Should they smile sympathetically, he says: "Honestly, I'm really boring."

Who are these Twins? How

## VANTAGE POINT/Tony Kornheiser

many could you have named last month? Okay, Kirby Puckett. Okay, Kent Hrbek, because it always looks like a misprint. Kirby and Herby, who else? Gagne and Garet sounds like a series specializing in sanitation consulting.

The Cardinals have been to the World Series three times in the last five years and still nobody knows them. They don't have a pitcher who even won 12 games. The most famous one, the frosty John Tudor, shuns publicity. Willie McGee, already forgotten as the 1985 MVP, is best remembered for Howard Cosell's observing how he resembles "E.T." I could be wrong, but I don't sense any groundswell to send Steve Lake and John Morris to Cooperstown.

The Cardinals' manager, Whitey Herzog, is well known. But it is for what he does, or for the color of his hair and the fact that his brush cut gives you a perfect lie to play a three-wood? Ozzie Clark and Jack Smith, excuse me, Ozzie Smith and Jack Clark—I must have had them confused with the 300 guys named Smith and Clark in the NFL, the NBA and the NHL—are stars, but Clark isn't playing, and with Smith you're never sure if he's playing baseball, ballet or circus.

It's not a dull series, but the players aren't yet ready for the cover of People magazine. No offense intended, it just hasn't been a Series to remember so far, unless 400 infield hits are your idea of a thrill.

there'll be a lot of dents in his helmet."

That's the kind of series it's been. The losers are insulted by who's beating them. No names. Oquendo, Oquendo, Boquendo, Banzan-fana-Fofendo. Fee-fi-Momendo. Oquendo. Now let's do Lombardozzi. Speaking of Lombardozzi, in Game 1 both No. 8 hitters' names ended in -ozzi, Lombardozzi and Paganotti. How often does that happen? Lombardozzi hit a home run, a doozy by Dozzi.

On the geographically idiosyncratic front, Games 2 and 3 matched pitchers born in Europe, England's Danny Cox and Holland's Bert Blyleven, the first time that both starters were first team all-NATO. And I know you'll want to be reminded that Lester Paul Straker was the first Venezuelan to pitch in the World Series. (Is Lester Straker a typical Venezuelan name, or have I watched too many episodes of "The Dating Game"?)

Game 4 belonged to Lawless, who had two hits all season on his way to a narcotic 0.80 batting average. (At this rate Lawless will break Henry Aaron's record in 3118, October.) Talk about a Cadillac Trot. Lawless stood there admiring his work like he was in the Louvre. "They showed him standing at the plate and he looked like he must have hit it in the upper deck," said Greg Matthews, whom I'm sure you recall as the starting pitcher. "Then they showed the ball going out, and it was hilarious because it only made it by five feet." Said Garet: "He does that enough."

## SCOREBOARD

## Gymnastics

## World Championships

(All Rounders)

TEAM

Final Standings After Optional Exercises (Top 12 teams advance to 1988 Olympics)

1. Soviet Union, 289.75 points.
2. China, 282.35.
3. East Germany, 282.80.
4. Bulgaria, 279.65.
5. Japan, 278.15.
6. Hungary, 274.65.
7. Romania, 273.15.
8. West Germany, 272.65.
9. United States, 272.15.
10. Italy, 272.15.
11. Cuba, 267.15.
12. France, 267.15.

## INDIVIDUAL

Gymnastics

1. Dmitri Bilozerchov, Soviet Union, 118.05.

2. Valeri Ljytkin, Soviet Union, 118.05.

3. Vladimir Artemov, Soviet Union, 117.95.

4. Yuri Korolev, Soviet Union, 117.95.

5. Xu Shaohou, China, 117.80.

## Baseball

## World Series

GAME 5 SUMMARY

MINNESOTA

ST. LOUIS

Gardner H. 3 1 1 8 Coleman H. 3 2 1 0

Game 5: 1 1 1 8 Smith SS 3 2 1 0

Baylor ph 1 0 0 0 Herr 2B 4 0 0 0

Puckett at 4 0 0 0 O'Brien 1B 3 1 1 0

Herbek 1B 4 0 1 0 Dorley a 0 0 0 0

Guthrie 3B 4 0 1 2 Worrell p 0 0 0 0

Brumay r 4 0 1 2 McGee cf 4 0 0 0

Lardner c 2 0 0 0 Ford r 4 0 0 0

Newman ph 1 0 0 0 Oquendo 2B 4 0 0 0

Lindblad 2B 2 0 0 0 Pena c 4 0 0 0

Smalley ph 1 0 0 0 Johnson r 4 0 0 0

Blyleven r 1 0 0 0 Lake c 0 0 0 0

Atherton a 1 0 0 0 Cox p 2 0 0 0

Larkin ph 1 0 0 0 Cox p 2 0 0 0

Althoff r 0 0 0 0 Lindman 1B 1 0 0 0

Reardon r 0 0 0 0

Bush ph 1 0 0 0

Totals 22 2 2 2 Totals 33 4 1 3

IP H R ER BB SO

Blyleven L-1 6 7 3 2 1 4

Atherton 1-0 3 1 0 1 1

1-2 3 0 0 1 0

Cox W-1 7-3 0 2 2 6

1-0 0 0 0 0

1-1 1 0 0 2 1

Bills-Atherton.

Minnesota 000 000-0-3 4-1

St. Louis 000 000-4-10-8

Game-Windings: RB—Minnesota (1).

S—Cox, Blyleven.

Umpires—Hesse, Ken Kollar (AL); First, Terry Tatro (NL); Second, Dave Phillips (AL); Third, Lee Weaver (NL); Left, Greg Kosc (AL); Right, John McSherry (NL).

SCHEDULE

Oct. 17: Minnesota 10, St. Louis 1

Oct. 18: Minnesota 8, St. Louis 4

Oct. 20: St. Louis 3, Minnesota 1

Oct. 21: St. Louis 7, Minnesota 2

Oct. 22: St. Louis 4, Minnesota 2

Oct. 24: St. Louis (Lionel Tudor 10-2) at Minnesota (Lee Staller 8-16), 4 P.M.

+Oct. 25: St. Louis at Minnesota, 8:25 P.M. (2nd necessary)

(2nd necessary)

## European Soccer

## CUP WINNERS CUP

(Second Round, First Leg)

Olympique Marseillais 4, Hibernia, 2-1; Yugoslavia 1, 0

## Hockey

## NHL Standings

W L T Pts GP GA

Washington 5 2 0 10 32 22

NY Islanders 4 1 0 8 28 10

New York Rangers 3 1 0 7 28 20

Philadelphia 3 1 0 7 18 24

Pittsburgh 2 2 2 4 29 27

NY Rangers 2 2 2 4 29 27

Pittsburgh 2 2 2 4 29 27

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